Friday July 29 1988

UK INDUSTRY Companies' go on a spending spree Page 6

World News

Mandela's bungalow destroyed by arsonists

The home of Winnie Mandela, wife of the imprisoned African National Congress leader Nel-son Mandels, was completely destroyed by fire yesterday. Nobody was injured in the

blaze, which engulfed the brick bungalow in a suburb of the South African black township of Soweto at about midday. Mrs Mandela was not at home at the time. Police and neigh-bours said the fire had been

Chemical weapons The US disclosed the locations

of five chemical weapons plants and explained in detail how it would go about destroy-ing them. The declaration, at a 40-nation UN Conference on Disarmament, was intended to quicken talks on an international convention banning chemical arms. Page 16

Angola peace talks The US State Department said Chester Crocker, assistant sec-retary for African affairs,

would fly to Geneva on July 31 for consultations with a Soviet delegation on the situa-tion in Angola. A fourth round of peace talks is scheduled for early August in Geneva. Where three armies meet, Page 3

\$10m ransom paid Mexican industrialist Fernando Senderos Mestre, seized by kidnappers on July 4, was freed after his family paid a \$10m

Airbus crash probe Technical shortcomings were not to blame for last month's crash of an Airbus A-320 air-liner during a French airshow, said investigators. The main factor was that the aircraft was flying below the minimum height and speed stipulated in the flight manual. Page 16

Jordan scraps plan Jordan scrapped its development plan for the Israeli-occu-pled West Bank amid growing speculation that it plans to dissociate itself from the occu-

Thai premier quits Maj-Gen Chatchai Choonhavan's nomination for the Thai premiership was submitted after Gen Prem Tinsulanonda's surprise resignation.

Win for Ashdown UK member of parliament Paddy Ashdown was over-whelmingly voted Social and Liberal Democrats' leader. He won 41,401 votes against former deputy Liberal leader Alan Beith with 16.202, Page 6

Landmine victim Sergeant Michael Matthews. a patrol commander serving

with the Parachute Regiment, died in bospital of injuries received in a landmine blast near Cullyhanna, Northern Ireland, on Wednesday.

Communists ejected Turkish police ejected four one a French parliamentarian, from the grounds of Prime Minister Turgut Ozal's official residence after the four were denied permission to see Ozal over the trial of two Turkish

Peace convoy A US "peace convoy" of 20 trucks protesting against Washington's policies in Central America arrived in Nicara-gua after sneaking out of the US with a cargo of food, toys and medical sumplies.

Two sacked at Norsk Hydro unit after losses

NORSK HYDRO, Norway's largest publicly quoted com-pany, dismissed two senior employees in its Hydro Alu-minium subsidiary's trading unit for alleged business mis conduct revealed by an internal company audit. It disclosed NKr226m (\$33.5m) in trading losses at the unit. Page 17

PHILIPS, Dutch electronics giant, blamed a 44 per cent lunge in second-quarter earnings, to the lowest quarterly level in five years, on cutthroat competition from south-east Asia. For the first half, net income fell 20 per cent to Fl 338m (\$94m). Page 17

REVCO D. S. once the biggest and fastest growing drug store chain in the US, went bankrupt less than 19 months after being taken private in a wide-ly-applauded \$1.3bn leveraged buyout. Page 17

BICC, British electric cables and construction group, has agreed to acquire the cable-making business of Ceat Cavi. Italy's second largest cable manufacturer, in a deal worth £90.4m (\$155.5m). Page 17

YAMAICHI SECURITIES, one of Japan's Big Four stockbro-kers, is linking with Lodestar Group, Wall Street mergers and acquisitions specialist, by taking a 25 per cent stake in Lodestar Partners, a joint venture to manage leveraged buyouts. Page 17

CHRYSLER, third largest US motor manufacturer, reported that net profit in the second quarter was \$320m compared with \$424m in the same period last year, Page 18

PAN AM, US atrline group, announced a second-quarter loss of \$5m. against a second-quarter profit of \$10.5m last year. Page 18

ARIANESPACE, French com-pany which builds, operates and launches Western Europe Ariane space rockets, said it would propose floating shares on the French stock exchange

SUMITOMO BANK became the latest of Jepan's large commercial banking groups to unveil a large-scale share issue in order to bring its capital adequacy in line with international standards. Page 20

CSR, Australian resources group, agreed to sell nearly all the remaining interests of its coal division, once among Australia's biggest, to Royal Dutch/Shell and the local Coal and Allied Industries for A\$266m (US\$215m).

NISSAN MOTOR is to become the first Japanese automotive group to integrate its development and production centres in Japan, Europe and the US with a global satellite-linked computer-aided design (CAD) network in order to speed up vehicle development and production overseas. Page 20

DIGITAL Equipment, world'e leading manufacturer of minicomputers, managed a small improvement in its profits during the latest quarter, after the flat results of three months ago. Page 18

BCE, Canada's largest holding company, recorded strong second-quarter net earnings of m (US\$237m) following higher contributions from its telephone services and equipment subsidiaries and sharply lower preferred stock dividends. Page 18

Business Summary

No.30,602

Heavy intervention fails to hold back sterling, dollar rise

By Simon Holberton, Economics Staff, in London

STERLING and the dollar rose sharply on foreign exchange markets yesterday despite an estimated \$1bn of central bank intervention and a rise in offi-cial interest rates in West Ger-

The two currencies were buoyed by the prospect of sus-tained high-or possibly ris-ing-interest rates in the US and Britain.
Testimony before a panel US
House of Representatives'
banking committee yesterday

by Mr Alan Greenspan, chair-man of the Federal Reserve man of the Federal Reserve
Board, was also seen as positive for tha dollar. He
expressed surprise at the rise
in inflation in the US during
the second quarter of this year
which was taken in the markets as a signal that the Fed might further tighten mone-

tary policy.

The decision yesterday by the Bundesbank, the West German central bank, to raise its Lombard emergency finance rate to 5 per cent from 4% per cent did little to engender currency market interest in the D-Mark.

Official interest rates in the

Netherlands and Austria were also raised after the German

WEST GERMANY's central

bank, the Bundesbank, yester-day continued its step-by-step

advance in interest rates by raising the Lombard emergency funding rate from 4.6 in 5 per cent, although it left dealers guessing as to whether it would inject more liquidity to

the banking system in the next

weeks so as to avoid further market tightness.

market tightness.

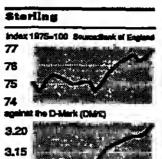
Although the Lombard rate rise had been generally expected, since overnight money rates had risen to the pre-increase level, some economists expressed disappointment that the Bundesbank had not also

decided to announce more action on liquidity. It will thus

be under continued scrutiny next week when the next

round of securities repurchase (repo) deals with commercial banks occur.

"We are disappointed that it



July 1988 move. France, however, left its interest rates unchanged. By the close of trading in London, the pound and the dol-lar had both risen by 2 plennigs in active trading. The pound also maintained its level against the dollar despite the latter's overall strength across

a broad range of currencie The Bank of England inter-vened twice in an effort to stall the rise in sterling. It is esti-mated that the Bank bought more than \$50m of a basket of European currencies, although most purchases were D-Marks. The central banks of Spain

took no measures to supply liquidity," said Mr Peter Pietsch, an economist with

Commerchank. It shows that the Bundesbank wants higher

rates." The central bank could

have increased rediscount of the

requirements.

Machine Seine, chairman of Minimersbank, said on Wednesday he saw no economic Reson for higher interest rates. The increase in prices had been much slower than the same than the same

than expected-official cost-of-

living figures showed yester-

day only a 1 per cent rise in July compared to a year ago-so attempts to brake monetary expansion did not have in be

However, Mr Seipp sup-ported the recent actions of the Bundesbank in raising the repo rate from 3.25 in 4 per cent in recent weeks. The bank acted

clues on liquidity

and Italy also intervened to stop their currencies rising against the D-Mark. In total they purchased about DMS50m (\$450m), but to little avail. The Bank of Spain conduced the bulk of these purchases bulk of these purchases.

In New York, currency traders said the Fed intervened when the dollar rose to a level

about DM1.8660.

In his testimony before the House, Mr Greenspan indicated that a further appreciation of the dollar would work against the aim of resolving major trade imbalances. At the same

ling index cosed 0.3 higher at

In London, the dollar closed at DM1.8645 compared with DM1.8490 on Wednesday and at Y132.35 compared with Y131.65. In New York the dollar closed et DM1.5545 (1.8480), £1.72120

time he indicated his strong opposition to any substantial decline in the dollar's value. The aim of policy should be the maintenance of "stability" in currency markets. The pound closed in London at DM3.2125 againstDM3.1925 on Wednesday, and at \$1.7280 against \$1.7260. The Bank of England's trade-weighted stertive MPs.

next year. Independent forecasters Bundesbank leaves few

annual inflation rate, currently 4.6 per cent, up to a peak of about 6 per cent.

Mr Lawson drew a comparison with the temporary hitp-in inflation three years ago, when the rate "edged up in the first half of 1985, before coming down again to the lowest levels for a generation. In the same way, inflation is now likely to edge up in the second half of the year, and the first half of the year, and the first half of next year, before coming back down again. What ever action is necessary to keep inflation under control, this Government will always to dampen potential inflation, regain control over money sup-ply and prevent trade surpluses from remaining too high. The Bundesbank said the Lombard increase reflected this Government will always

tensions on the foreign exchange market.

Economists expect the reportate to move up again pass week, perhaps in 425 per cent, the extent depending on how generously the Bundesbank He told Conservative MPs in a letter before the start of in a letter before the start of the partitioned the recent today, that while, overall, the economy was "doing well, the difficulties that beset us are difficulties we have successfully dealt with in the past and will do so again; without drama, and without interrupt-ing the steady progress we have already achieved."

Mr Lawson argued that one replaces the DM20tm (\$11hm) of repos that will expire. "If less Mr Lawson argued that one consequence of the co-ordi-nated international relaxation

UK prices to rise for a vear, says Lawson

By Peter Riddell, Political Editor, in London

BRITAIN's inflation rate will before coming back down again, Mr Nigel Lawson, the Chancellor of the Exchequer, admitted yesterday suring a generally optimistic mid-sus-mer assessment for Conserva-

The Treasury has already conceded that the annual rate of increase in retail prices is likely to exceed the forecast level of 4 per cent at the end of this year, but this is the first time Mr Lawson has said the rate is likely to rise farther

have projected a rise in the annual inflation rate, cur-

named international relaxation of nametary policy in the wake of last October's stock market crath had been "a modest but unacceptable pick-up in infla-

Continued on Page 12



US says 1989 budget deficit will be \$140bn

THE US Government yesterday forecast that its budget deficit for 1989 would be just over \$140bm, without allowing for the cost of drought relief.

Although inflation assumptions contained within the projection have raised questions about its accuracy, this could mean that the figure is too high rather than too low as has been the case with many past forecasts.

The official August projects.

The official August projec-tion is the basis for automatic tion is the basis for automatic spending cuts under the Gramm-Rudman Act, and leaves room for a \$5im relief programme. Anything larger would trigger automatic cuts in other programmes, a risk which Congressmen will be reluctant to take while they are automate to leave Washington and start campalening in ton and start campaigning in their constituencies.

their constituencies.

The projection should have been published two weeks ago, but the Office of Management and the budget delayed it in order to include the relief programme. It has now instead attempted to impose a cap on drought relief by threatening automatic cuts in other programmes.

The projection is based an assumption of real growth of 3.5 per cent this year and 3.1 per cent next year, both somewhat higher than earlier forecasts but in line with recent trends. Inflation, measured by the GNP deflator, is forecast at 3 per cent this year and 3.5 per cent next.

The inflation forecasts were immediately greeted by financial analysis as unrealistically low. In the Senate, Mr Align Greenspan, the Chairman of the Federal Reserve Board, admitted that the 4.7 per cent annual rate rise in the fixed-weight GNP price index announced yesterday was sur-

announced yesterday was "sur-prising", and suggested that it, might reflect seasonal adjust-ment problem. Retail price inflation is running at fust over 3% per cent, but is widely expected to rise to 44% per

The apparently modest infla-tion projections are due partiy to the use of the GNP defiator rather than the retail pride index as a measure. The defia-tor applies only to US costs and leaves out import prices. It is further reduced by the changing composition of GNP.

Genscher urges Moscow links

By David Marsh in Bonn

HANS-DIETRICH Genscher, the West German Foreign Minister, yesterday issued a new call for improved western economic and technolegical co-operation with the Soviet Union, and termed "irre-versible" the reform policies of Mr Mikhall Gorbachev, the

Mr Genscher today begins a three-day visit to Moscow during which he will urge rapid progress towards conventional disarmament between East and West. His statement yesterday coincided with an agreement and the Soviet Union to study collaboration in five separate of the aerospace industry.

Mr Genscher, the champion within the Bonn Government of closer ties between East and West, will meet Mr Gorbachev in Moscow tomorrow and will also hold talks with Mr Eduard Schevardnadze, his Soviet counterpart.

Mr Genscher's visit hailed yesterday by the Soviet author-ities as a sign of the "inten-sity" of relations between the two sides, will prepare Chan-cellor Belmut Kohl's journey to Moscow in October, during which the West German leader will focus strongs on eco-

In an interview with Sned-entsche Zeitting, the Munich daily newspaper, the text of which was released in Bonn. before today's publication, Mr Geoscher paid tribute to the progress which glasnost was making in Soviet society. West Germany would be playing an "active and constructive" role in the overall "modernisation"

Yesterday's agreement on aerospace co-operation fol-lowed a five day visit to the Soviet Union by a delegation of German aerospace officials and industry representatives.

UK Government plans tax for non-residents

too sharp.

By Richard Waters in London

BRITAIN's Inland revenue is planning big changes to the tax rules for people who spend-only part of each year in the

The Revenue is proposing among other things that they should be taxed in Britain on a proportion of their worldwide-income and capital gains.

This would introduce for the first time in UK tax law a variant of the unitary taxation sys-tem used by some US states to

tax foreign corporations, some-thing which has been heavily criticised by the UK Govern-The proposal is contained in a consultative document which has wide-ranging implications for people who spend less than half of their time in the UK

Announcing the overhaul, Mr Norman Lamont, Financial Secretary in the Treasury, told

the House of Commons that the current residence rules are complex, long-standing and "complex, long-scanning and lack a statutory base". He said: "The aim is to move in the direction of greater simplicity, certainty and neutrality, and to relate habilities to UK tax more closely to the degree of an individual's connection with this country."

with this country."

One aim of the review is to reduce people's scope "to manipulate the rules to secure a tax advantage", said the Rev-

als is that anyone present in the UK for more than 183 days in a year would be judged to be resident for tax purposes, and their place of abode would cease to be a factor.

People present for more than 30 but less than 183 days would be subject to a complex for-mula: the number of days

spent in the current year, plus a third of those in the previous year and a sixth in the year before that, would be added together to see if they passed the 183-day test. People who had been resident for less than seven of the previous 14 years would be granted a concession. Rather than being taxed on their worldwide earnings and gains, they would pay tax either on a proportion of these, or on income actually remitted

is made available, the reporate could go up to 4.5 per cent," reckoned Mr Michael Hopf of Manufacturers Hanover Trust

With the rise in call money to about 4.5 per cent, which was the Lombard rate before

yesterday's rise, a further small rise in the repo rate

would again make it the key money market indicator,

The Revenue insisted yester-day that the proposals, which apply only to individuals and not companies or other enti-ties, may change as a result of tes, may change as a result of consolitation with taxpayers.

Residence: The Scope of UK. Tuxation of Individuals, Inland Revenue Reference Room, Room 8, New Wing, Somerset House, Strand, London, WC2R 1LB,

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(73g) 3-mth Treasury Bilts: yield: 7.22% (7.2) Long Bond: 9813 (961) yield: 9.27% (8.23) London 1-month

New York S&P Comp 266.0 (+ 3.5) FT-SE 100 1,841.3 (+0.5) 128.89 (Wed)

Tokyo Nikkei Ave 27, 798.09 (+ 57.52) 1480.6 (- 15.8)

\$ 15.785 (+ 0.285) \$ 16.295 (+ 0.32)

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Brazil opts for a costly and impractical brave new world



President Samey's campaign against the new draft constitution has aroused opposi-tion anger. But he lieves its provision will cost double Brazil's annual income tax revenue

Protein politicas Conservatives and Centrists seek entente cordiale Editorial comments A test for Mr Clarks; peace moves in Kampu Politics todays Watching the Sands of Thatch-Soviet Unions Propounding Perestroika in foreign affairs .. Technology: A profile of the engineering profession's Image-maker ents Philips - isolated in a cultural world apart Survey: lale of Man.

to the UK.

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New York \$ 1.7220 (1.7285) London: \$ 1.7230 (1.7260) DM 3.2125 (3.1925 FFr 10,8325 (10.7575) SFr 2.6700 (2.6550) Y 228 (227.25) New York DM 1.8665(1.8480) FFr 6.2965 (6.2325)

New York Comax Aug West Tex Crude \$ 18.295 (+ 0.32) London: \$432.25 (433)

STOCK INDICES Dow Jones Ind. Av. 2,082.33 (+ 28.63)

Montedison

angry at

order to

shut plant

THE MONTEDISON group yesterday protested strongly at the Italian Prime Minister's

decision to shut a chemicals plant belonging to the company in Liguria following the release of sulphurous gas last weekend, writes Alan Friedman in Wiles.

EUROPEAN NEWS

Timetable deal closer in Europe security talks

By Judy Dempsey in Vienna

countries have failed again to decide whether to prolong the current round of talks on European security, due to break up today.

But there seemed to be a growing, if reluctant, consen-sus that they should work until August 5 and return around August 29.

There has been controversy over the duration of the current session of the Conference on Security and Co-operation in Europe (CSCE) since last week, when Bonn suggested that the talks continue at least for the duration of the forth coming Moscow visit of Mr Hans Dietrich Genscher, its Foreign Minister.

Yesterday, several delega-tions, including those of the US, Canada and the Nether-lands, argued against too short

WESTERN AND Warsaw Pact a recess because they would countries have failed again to not have enough time to consult their governments.

The West Germans - and the French, who on Wednesday were saying there should be no break in the talks - yesterday softened their line and indicated they might accept the prevailing view that some

cess was necessary. Romania fell into line with its Warsaw Pact partners and expressed willingness to prolong the meeting by a week. But there was disagreement

among the 12 neutral and nonaligned states after Finland proposed that the talks con-

proposed that the talks continue, without a break, until a final document was ready.

A CSCE agreement, covering security, human rights and economic co-operation, has to be reached before fresh negotiations on conventional arms in Europe can get off the ground.

More East Germans move to the West

By Leslie Colitt in Berlin

EAST GERMANY is expected to permit at least 20,000 citizens to "resettle" in West Germany this year, double the number last year, in an apparent attempt to quell rising economic and political dissatisfac-

The West German Permanent Mission in East Berlin said yesterday that the authorities had issued 10,000 perma-nent exit papers in the first six months of 1988, compared with 11,459 in the whole of last year. A record 40,000 East Germans were permitted to move

the following years.

The largest number of applications to leave come from Dresden, Goerlitz and other cities near the Polish border which are out of range of West German television channels.

An official of the East German mission said estimates of the number of applications from East Germans seeking to leave ranged from 200,000 to as many 1m, out of a population of 16.6m. The reason for the large "grey area," he said, was that no one knew how many to West Germany in 1984 but applications had been with the number dropped sharply in drawn or invalidated.



The Randfontein Estates Gold Mining Company, Witwatersrand, Limited

Barnato Exploration Limited

Lindum Reefs Gold Mining Company Limited

It was announced on 24 June 1985 that two companies were being formed, namely BARNEX and LINDUM, in order to:

in the case of BARNEX, finance Randfontein's gold exploration interests and a in the case of LINDUM, independently finance and exploit the underground gold reserves of the old Randfontein Section.

On 28 July 1988, flotation agreements were signed which contain modifications to the original announcement. These flotation agreeme

NEX will lend sufficient tunds to Randfontein to enable the latter to incur adduce in respect of its off-lease prospects and mineral rights acquisition commisments.

As a result of BARNEX providing loans to Rendientein to enable the latter to meet

As a result of BARNEX providing loans to Rendientein to enable the latter to meet

As a result of BARNEX will be enabled to 80%

As a result of BARNEX providing loans to Randontein to enable the latter to meet the funding of its off-lease prospect commitments. SARNEX will be erabled to 80% of any benefits arising from Randontein's participations.

The advances made by BARNEX to Randontein will be interest free and will be repsyable by Randonteia when Randontein ceases all exploration and current or future mining activities or when Randontein is wound up and will be peld out of the proceeds, if any, of the sale of Randonteia's remaining exploration and mineral right assets relating to the off-lease numeral participation rights.

BARNEX AND UNDURAL Johannesburg Consolidated investment Company, Limited ("JCI") has undertaken, on behalf of and as a stipulation for the benefit of Randformain shareholders to subscribe for cash at par for 6 113 SS3 BARNEX new ordinery shares of one cent each met 8 113 SS3 LINDUM new ordinery shares of one cent each. These shares will be allotted and issued directly by BARNEX and LINDUM to members of Randformeis on the basis of 1 BARNEX and LINDUM share for every Pandformeis share held ("the entitlement issue").

BARNEX proposes to raise an amount of R75.2m by way of a renounceable rights offer to the members of Randformeis of 18 340 609 shares ranking part passo in every respect with the existing issued shares, at a subscription price of 410 cents per share.

per share. In terms of the Comprehensive Anti-Apertheid Act of 1995 passed by the United States Congress, members of Randionism whose addresses appearing in the share registers of Randionism are within the United States of America will not legisly be able to accept any of the emitterment issue shares. These shares will be seld on either the JSE or the LSE and the proceeds accruing to Individual members will be remitted to thom.

BARNEX and LINDUM shares will not be registered with The Securities and

ige Commission, Washington D.C. or the Securities Commission of Ontario coordingly the rights offers are not being made to persons with registered see in the United States of America or Canada. The rights which would but exclusion have been offered to the excluded members shell be sold for their benefit.
The above transactions will have no effect on the earnings and net asset value per Randionizin share.

The antitioment issue and rights offers are subject to The Johannesburg Stock the emploment leave and rights clears and subject to the polarization of BARNEX and LINDUNt; and the requirementable (ril paid) letters of allocation in BARNEX and LINDUM arising from the rights offers and the ordinary shares (fully paid) issued pursuant.

in addition, applications for listings have been submitted to the Council of The International Block Exchange of the United Kingdom and the Republic of Ireland Limited I'LSET). Langed I'USE''. Randonzier members who are registered at the close of business on Friday 19 August 1986 will be entitled to receive the entitlement issue shares in BARNEX and LINDUM and to participate in the rights offers. Accordingly, the share registers of Randontein will be closed from 20 August 1986 to 28 August 1988, both days

Inclusive.

The rights offer circular, which will include, for both BARNEX and LINDUM, the renounceable (nil paid) letters of allocation and pre-listing statements, is being finalized and will, subject to the rules, requirements and procedures of the JSE and LSE, be possed to members of Plandforbein on 25 August 1939.

28th July 1988.

Italy sued over cheque surcharge

By David Buchan in Brussela

THE European Commission yesterday started legal pro-ceedings against Italy for imposing an allegedly discrimi-natory tax on foreigners' bank

At issue is the government decision two years ago to levy L300 (8p) on every cheque, and an extra L500 on foreign cheques and cheques written for more than L50,000. The Commission regards the latter portion of the tax as illegal dis-crimination by Italian banks towards citizens of other Com-munity countries.

The move comes at the behest of the Eurocheque organisation, whose 9,000 per-ticipating banks in 32 countries allow Eurocheque cardholders to cash cheques in local cur-rencies across EC and other borders. Many of those suffer-ing from the supplementary Italian tax are Eurocheque car-dholders. The irony is that the Eurocheque system is itself under investigation by the Commission for other extra charges levied by some mem-

ber banks in the system.

Two years ago the Commission refused to renew the exemption given to Euro-cheque from the general EC ban on restrictive agreements. The exemption has been granted on condition that banks issuing Eurocheques charged a uniform handling fee, with no extra chargas imposed by banks cashing the cheques. But in 1986, Euroche-que raised the handling fee from 1.25 to 1.6 per cent of each cheque's value, and the Com-mission started receiving com-plaints that some banks were charging for cashing cheques

The Brussels-based Euro-cheque International organisa-tion yesterday admitted several discrepancies in its system, but said it was doing its best to sort these out. Some banks did not make the 1.6 per cent fee very transparent to

Mr Huib Crauwels, secretary general of Eurocheque Bel-gium, said his country's banks ere now refunding to their Eurocheque customers any extra they paid abroad, and then trying to reclaim this from foreign banks.

France to probe cement industry pricing practice By George Graham

THE FRENCH Government has launched an investigation country's cement industry. Mr Pierre Beregovoy, the new Finance Minister, has

asked the competition council to examine whether cement producers are operating an anti-competitive cartel aimed at fixing their market shares. The investigation will focus

on the practice of "parity rebates", a system of published price reductions designed to ensure that cement buyers in a given place will pay the same price, whichever cement producer they buy from.

"We wonder if this system is not at the root of the rigidity of market shares in the cement sector," said Mr Christian Babusiaux, director-general of competition and consumar affairs at the Finance Ministry.

French cement producers yesterday rejected the charge. They argue that since cement has a low unit price but high transport costs, the system of parity rebates prevents consumers from being forced to buy from the nearest supplier and thus improves the workings of the market.

villages and hamlets of the northern Cypriot plain, but

their bells are silent and cor-roded in their belfries.

Some are disused, but not

yet derelict, their portals crudely bricked in and plas-tered up. Others have been

converted into mosques by the

addition of incongruous mina-

rets, or serve as stores, and at

least one on the outskirts of

Nicosia (known in Turkish as

Lefkosa) is used as an arsenal

by the Turkish army. The abandoned churches are

A garrison of about 29,000

Turkish soldiers still stands

guard. In November, the self-proclaimed Turkish Repub-lic of North Cyprus (TRNC)

island landscape.

Greek soldiers.

Europe's Conservatives left shivering as Socialists run off with their clothes

FRANCE'S CONSERVATIVES have been thrown into disarray by a series of electoral setbacks, which have both exacerbated and thrown into sharper relief their internal divisions. At one end of the spectrum, there are moderates who are willing in principle to co-operate with President François Mitterrand's Socialists; at the other there are the far-right nationalists of the National Pront.

To some extent, the problems of the French right stem from the personal rivalry between ex-President Valery Giscard d'Estaing and his two former Prime Ministers, Mr Jacques Chirac and Mr Raymond Barre. But the disarray also reflects a political dilemma common to the right-wing movement in several European coun-

When a Socialist Government is happily shedding its ideological baggage, modernising and deregulating the economy, and preparing for European integration, what ideological space is left

for the conservatives?

The question poses itself with particular sharpness for parties whose roots are authoritarian and dirigists; they are in danger of appearing "behind the times" while their Socialist rivals are perceived as "modern".

FT correspondents report from three countries where the task of alapting the economy to an interdependent Europe (and of improving previously difficult relations with Nato) has fallen on Socialist rather than conservative shoulders.

Policy disputes and personal rivalry hamper French right

FRANCE'S TROUBLED conservative and centrist parties are trying to establish an entente cordiale between the various components of the right and form a more credible opposition to President Francois Mitterrand's Socialists. But they face an uphill task because of disagreements about policy and the rivalries of leaders of the different polit-

As a first step towards stitching together a united front, the leaders of the two main parties of the traditional right met yesterday, surrounded by imposing delegations

The neo-Gaullist RPR delegation was led by Mr Jacques Chirac, the former Prime Minister, who used the occasion to make a shy return to the politi-cal scene after his defeat in the idential electic

The centrist UDF delegation was led by former President Valéry Giscard d'Estaing, who has made an impressive come-back since the elections, regaining the leadership of the UDF centrist movement which he started.

The meeting signalled the start of a consultation process, aimed at picking up the pieces after the right's electoral sethacks and regrouping before next autumn's cantonal elec-tions and municipal polling

By Peter Bruce in Madrid

The fundamental problem facing the right and centre-right is the definition of a common strategy to thwart President Mitterrand's efforts at broadening the Socialists' elec-toral base and securing wider support for the minority Social-ist Government.

So far, Mr Mitterrand has been frustrated in his efforts, but the right fears that with time an increasing number of centrists may be tempted by his blandishments.

The problem has been exactribated for the right by the gradual disappearance of the traditional ideological rift in France between right and left. Indeed, as Mr Giscard disappearance of the traditional ideological rift in France between right and left. taing himself has often suggested, two of every three Frenchmen are now centrists at beart.

The other problem is the old chestnut of the right's relations with the extremist National Front of Mr Jean-Marie le Pen. Although the Front was left with only one parliamentary seat after the last legislative elections, it still holds the balance of power in many local communities.

The question for the tradi-tional parties of the right is whether to agree to a "dirty deal" with the Front to secure local government seats or see a victory for the Socialists, who have fewer scruples about negotiating locally with the

Communists.

Some components of the centre, especially the centrist CDS party led by Mr Pierre Mehaignerie, which has distanced itself from the UDF by forming its own parliamentary group, have already suggested they would prefer to back a Socialist rather than accept a deal with rather than accept a deal with the National Front in local elections. Other factions of the

right, especially the RPR, have less inhibition. To make matters harder for the right, there is no love lost between the leaders of the vari-ous factions. Mr Raymond Barre, the ex-Prime Minister, was conspicuously absent from was conspicuously absent non yesterday's gathering, preferring to remain at his Riviera villa. Mr François Léotard, head of the Republican Party, was also on holiday. Mr Chirac and Mr Giscard d'Estaing seem set to do battle for the overall leadership of the opposition.

The right has gained some consolation from the difficul-

consolation from the difficul-ties which Mr Mitterrand and Mr Michel Rocard, his Prime Minister, are experiencing with their "opening" to the centra. This week's dismissal of Mr

Jean Dromer, the Gaullist chairman of the UAP state insurance group, provoked delighted shrieks of protest from the opposition, who accused the Socialists of launching a new political

steals the thunder

Seven years later Mr Papan-dreog's Government is show-

enterprise.
The Socialists have also moved towards the conserva-

this message already carries some force with younger vut-ers: the Conservatives now hold the lead in student elec-tions, a striking change from the recent past. ND is cur-rently ahead of the Socialists in the calls with means with severe waters.

But Mr Constantine Mitso-

convincing programme for the modernisation and streamlin-ing of Greek government and society, a process which by many indicators — burean-cracy, nepotism, health care and education — has hardly

this, he will almost certainly be supplanted by a younger guard of conservatives who are waiting in the wings.



Papandreou

NEW DEMOCRACY, Greece's NEW DEMOCRACY, Greece's right-of-centre opposition party, lost power in 1981, shortly after pulling off one of the most astate political moves in the country's recent history; joining the European Community.

It was left to Mr Andreas Papandreon's Socialists to tone down their anti-EC rhestoric and years the political bene-

ric and reap the political benefits flowing from the net transfer of funds from Brusseln to

ing a super-European profile which is difficult for the conservatives either to challenge or to best.

This role-reversal has also received in most other areas.

occurred in most other areas, including the economy, where, after one term of accialist experimentation, Mr Papandreou embarked with fervour on the road to deregulation and the wooing of private

"opportunistic" Socialists.

There are some signs that in the polls, with many voters undecided.

takis, the ND leader, has image problems; he was a prominent figure in the mid-1960s government crises which culminated in a military junta.

The key to attracting swing voters will lie in deviating a

begun. If Mr Mitsotakis fails to do

buffer zone between the two communities in Nicosia, and of

man in Milan. Mr Ciriaca De Mits ordered the Acna di Canglo plant shut for 45 days after four of his cabinet ministers failed to a decision. The Acna come to a decision. The Acna accident came a few days after an explosion and fire led to the closure of a Montedison pesti-cides plant in Tuscasy. The head of Montedison, Mr

The head of Montenson, we Raul Gardini, yesterday called the decision an "unacceptable precedent for industry." The company issued a statement suggesting that the closure could have "serious consequences for the strategy of the entire Italian chemicals indus-try."

Swiss exports up almost 10%

FOREIGN DEMAND for Swiss goods was "unexpectedly good and broad-based" in the first half, according to the country's customs directorate, writes John Wicks in Zurich. Merchandise exports went up by 9.9 per cent over the corresponding period of 1987 to SFr36bn (£13.6bn).

More than half this increase

was accounted for by the machine-building and electrical engineering sector and the chemical industry. Imports grew at nearly the same rate — 9.1 per cent to SF140.lbn reflecting lively Swiss demand and high capacity utilisation. The trade deficit went np slightly to SFr4.1hn, compared with SFr3.96bn in the first half of last year.

Austrian debt rises Sch48bn

AUSTRIA'S federal debt rose to Sch745bn (238.4bm) at the end of June from Sch697bn at the of June from Scheston at the end of last year and Scheitbn the year before, Mr Helmut Frisch, chairman of the national debt committee, said yesterday, writes Judy Dempsey in Vienna.

However, Mr Ferdinand Lacina, the Finance Minister, said that if the Government

moved towards the conservative position by reconciling themselves to membership of Nato and relegating the departure of US inilitary bases to a long term explication.

The bask facing New Democracy shead of the next general election (due by June 1989) is that of projecting a coavincing pro-Western, pro-business image in contrast to the "conortunistic" Socialists.

Sey in Vienna.

However, Mr Ferdinand Lacina, the Finance Minister, said that if the Government met its budget deficit target, the figure for total debt should still be around current levels still be around current level

Portugal's trade deficit widens

PORTUGAL'S TRADE gap continues to widen, with imports growing at almost twice the speed of exports, writes Diana Smith in Lisbon. It reached Es214.4bn (£831m) at the end of April, with exports totalling Es437.4bn, 4.8 per cent

more than January April 1987, and imports grew 8.5 per cent to Es651.8bn.

The widening trade gap has begun to affect the current account on the balance of payments, which has been positive since 1985: a small deficit of \$26m showed on the balance for the first quarter, due not only to the trade gap but to slacker tourism revenue and emigrants' remittances.

Finland turns to West Germany

WEST GERMANY has become Finland's largest trading partner, passing the Soviet Union for the first time this decade, writes Olli Virtanen in Helsinki. Trade with the former The stalemate since 1974 has reached FM11.37bn (£1.5bn) during the first six months; frozen northern Cyprus in time. On one side of the two trade with the latter, FM11.25bn. Finland's total imports in tiers of rusting oil drums and barbed wire that demarcate the

January-June grew by 7 per cent compared with the same communities in Nicosia, and of the Green Line dividing the island, is a skyline of office and apartment blocks, and tower cranes — an economic recovery in the Greek sector hailed as a miracle by its Western admirate by its Western admirates. On the other side, the only visible sid-funded project is a roundahunt densited by Sandi goods as well as machinery and equipment grew fastest.

One thing does, however, seem probable for the foreseeable future, and has been rammed home repeatedly by Mr Denktas. There can be compensation, and moveable prop-erty can be transferred from one side of the island to the other. But Greek-Cypriots cannot return north, nor Turkish-Cypriots sonth - the division is too deeply entrenched. The

FINANCIAL TIMES

ference of Spain's official conservative opposition, the Alianza Popular, in Madrid last a strategy for the majority." The AP, it says, continues to harp on issues like abortion, crime and religious education. February. Mr Jose Maria Aznar, leader

Splits threaten Spanish right

THERE was a moment of high drama during the special con-

of the provincial government in Castilla and Leon, was com-pleting what he thought had been a fiery speech when he finally came to the point. Were the doubts about his

lovalty to Mr Hernandez Mancha, the party leader, real? Mr Aznar turned around to point at Mr Mancha and said into the microphone now behind him: That man is my leader." He then stalked over and embraced him. The crowd went

Just a few months later, the sorry state of the Spanish right is beyond disguise. Young Mr Mancha, never a secure leader and a man who has yet to be elected to the Cortes (Parliament) goes into the summer break with Mr Aznar and three or four other AP chieftains keen to oust him.

Matched against the popular Mr Felipe Gonzalez, the Socialist Prime Minister, Mr Mancha's electoral prospects seem almost embarrassingly poor. Mr Gonzalez successfully occuples the centre of Spanish poli-tics and neither the AP nor the Centro Democratico Social (CDS), led by ex-Prime Minister Adolfo Suarez, seem to offer many definable policies.

The Socialists, in a new

not been abla to get the vari-ous parts of its old power base to renounce their special inter-ests or their values in favour of

while the more populat CDS remains vaguely neutralist and a champion of the small man. against the big Spanish banking empires.

AP leaders were shocked recently to find that 17 per cent of its support came from people who assume it is an

extreme right wing party. This

increased the pressures on the

AP to try to convert into a centrist movement. Part of the problem is that the AP was founded by Mr Manuel Fraga, once Franco's Information Minister, and though he now devotes most of his time to being a Euro-MP and to the politics of his native Galicia, he still exerts great influence.

A party conference next January will test Mr Mancha's strength. Even if he wins re-election, the dissenters may split, but their problem is that they have nowhere obvious to go. The right is fragmented enough and neither the AP nor the CDS has had much success in the Basque country or Cata-

The AP, which has 68 seats in the lower house of the Cortes (the Socialists' 184 gives them an absolute majority in the 350-seat Congress), failed to election in May, If Mr Gonzalez calls an election next year, and the AP's internal problems remain unresolved, it could be severely embarrassed.

Some political observers in Madrid believe the Prime Minister, who does not have to have another election until 1990, may call one in the second half of 1989 if Spain's first presidency of the European Community has been suffi-ciently glorious and if a series of low-level political scandals is cleared up.

Mr Suzrez, who did well in
the 1986 general election to

raise his seats from two to 19 in the Cortes, is an emigmatic figure, and probably the most threatening of the Prime Minister's opponents. But he is criticised for not

formulating policies and for long absences from political debate. His party remains very much a one-man band. The search for someone of substance from the right to challenge Mr Gontales dips periodically into fantasy. A

rather desperate attempt is being made to tempt Mr Mario

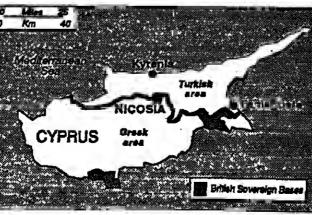
Conde, a smooth 39-year-old

banker, into politics.

Mr Conde, chairman of the country's second-biggest bank, country's second-niggest pank,
Banesto, has a great deal on
his plate. He is shy, and probahly not ready for bad publicity.
Meanwhile, the retiring Mr
Mancha may still have a fight
on his hands to retain the AP
leadership; and his opponent
may well be the theatrical Mr
Arnar.

study, argue: "The right has get anywhere in the Catalan Turkish Cypriots build mosques but find no peace Jim Bodgener, recently in northern Cyprus, reports from an island divided for 15 years

he simple white churches with their Secretary-General, on March 29 1966, envisage a bi-zonal, federated state. Acceptance of a permanent Greek-Cypriot presidency, as set out in the March, of process have been by Thomas tiled roofs still grace the



the most poignant reminder of the mixed Moslem and Greek Orthodox Christian communileadership of Mr Rauf Denktas. ties that once inhabited this One after another, settleentrancing Mediterranean ment plans have been drawn up by UN mediators, each a Fourteen years have passed since Turkish troops landed rejigged variant of its predecessor, but all have foundered on near Kyrenia (Girne in Turkthe basic question of power-sharing by the Greek and Turkish communities rather ish) to save the Turkish-Cypriot community from what they saw as coming annihila-tion by Greek-Cypriots and

than territorial concessions. According to international law, Mr George Vassilion is president of all Cyprus, but Mr Denktas will not agree to any. thing less than a partnership of equals.
There is an air of weary res-

will be five years old under the ignation about UN personnel and their reports emanating from Cyprus - even Mr Denk tas, whose energy and stamina are indefatigable, said last month he was not optimistic about the outcome of a meeting with Mr Vassiliou, due to be held shortly under the UN's

> the meeting on the understanding that there will be no preset agenda, and no reference to

whose officials privately opin that for them the Dayos accord has already withered on the

aegis in Geneva.
Under heavy pressure from
Ankara to attend, he will go to any past settlement proposals. Stalled proposals by Mr Javier Perez de Cuellar, the UN

predecessor, Mr Spyros Kypri-anou - has already disavowed the March 29 document. Ankara plainly does not want to jeopardise the fragile rapprochement achieved with Greece since the breakthrough achieved at a mini-cummit at Davos in Switzerland in early February. However, little of substance has yet emerged from the so-called Davos Spirit for the Turkish-Cypriot regime

29 package, has been Mr Denk-

tas' largest concession to date,

and is as far he is prepared to

go. But Mr Vassiliou - like his

This impression has only been reinforced by Greece's assumption of the EC presidency, openly stating that Turkey cannot expect any concessions from the BC
- particularly on its full mam-bership application — while Turkish troops remain on the tsland_

roundabout donated by Saudi

Limned assistance from Tur-key helps the TRNC to get by, but Ankara has its own financial problems,

church bells may never sum-mon the faithful to prayer again.

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Thailand may get new premier as Prem resigns

MAJOR GENERAL Chafchai Choonhavan's nomination to be Thailand's next prime minister was submitted to the pres-ident of the Seoate yesterday, following Gen Prem Tinsulan-onda's surprise decision to step

The real but unexpected pos-

The real but unexpected possibility of Thailand having its first elected prime minister since 1976 represents significant progress for Thailand's democratic institutions.

But it will also present a severe test of unity for the various factions in the proposed five-party coalition, and could affect Thailand's progress towards joining the nawly industrialising countries.

The army is pledged to support any legally appointed gov-

port any legally appointed government but will watch developments closely.

Although the possibility of Gen Prem standing down had

not been ruled out, it was never treated seriously until the moment it was announced on Wednesday night, four days after the general election. The reasons remain unclear. When senior army officers vis-ited Gen Prem on Wednesday morning, most assumed this

its much-vaunted development

plan for the Israeli-occupied

West Bank in what was offi-

cially described as a move to clarify its policy towards the

The official news agency Petra said the decision, taken at a cabinet meeting, con-

formed with a request from Mr Yassir Arafat, chairman of the

Palestine Liberation Organisa-

tion, and was designed to end questions about Jordanian pol-

King Hussein is anxious to

lispel suggestions that he has

territorial ambitions across the River Jordan, and went out of his way at an Arab summit

meeting in Algiers last month

to deny that he has any desire to represent the people of the

dle East peace negotiations.

THE twalve-month-long.

peace keeping operation by the indian army in Sri Lanka has been carried out at a heavy

cost both in terms of money

Apart from salaries and

allowances the Government has spent more than rupees thn (240m) since the agreement

between Mr Rajiv Gandhi, Judia's Prime Minister, and Mr

J.R. Jayewardene, Sri Lanka's President, to send the Indian Army to the embattled island

was signed a year ago today.

So far, the number of sol-

diers killed is 580; 2,585 are wounded and six missing. Offi-class in New Delhi estimate

NEW ZEALAND'S Finance

Minister announced an accelerated privatisation programme

yesterday in a hudget which marked a continuation of the Government's tight monetarist,

anti-inflationary strategy.
The country's foreign exchange and money markets

reacted erratically to an unex-

pociadly austers budget at a time when a recessionary envi-

ronnent is seeing a large num-ber of corporate failures.

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and casualties.

icy on the West Bank.

By Andrew Gowers, Middle East Editor, in London

ANNIVERSARY OF SRI LANKA ACCORD

JORDAN yesterday scrapped reflected the Jordanian Gov-



dents demonstrated briefly and peacefully outside his house to protest against another term for Gen Prem because he did not stand for Parliament. The constitution drawn up under heavy military influence 10 years ago allows a non-elected prime minister. The mounting criticism may

have contributed to Gan Prem's decision. The prospect of another rough term, with the largest coalition party holding less than a quarter of the 357 lower house seats, may was an expression of support. the 357 lower house seats, may then, in the evening, some stualso have deterred him. Or the

Jordan scraps West Bank plan

ernment's lack of progress in attracting finance for the plan,

originally costed at \$1.3bm, and coincided with speculation that Jordan is planning wider steps to dissociate itself from the

Reports from -Amman sug

gest that moves under consideration include the appointment of a new Prime Minister,

the dissolution of Parliament,

the downgrading of Jordan's Occupied Territories Ministry, and an end to the Govern-

ment's payment of teachers' and civil servants' salaries in

The aim of such measure would ba to signal that

Amman wants to redefine its regional role in the light of the eight-month Palestinian upris-

to deny that he has any desire regional role in the light of the to represent the people of the eight-month Palestinian upriswest Bank in any future Miding against Israeli rule in the die East peace negotiations.

-However, the decision also : However, it is not yet clear can be any change in actual policy.

"What he's [Hussein's] doing is not a change in policy but a purely technical move." Mr

A heavy toll on both sides

By KittyShairma heeler Dothlensung fant sid in some 1 s'uisus it 8821 to Hen buo

1.500 Tamil Tigers have been killed is around 1.500 and 3,000 wounded. They say about 300 Tiger activists are still fight-

ing. There are now around 48,000 Indian troops in Sri

According to senior officials in New Delbi, contacts are still being maintained with the

Tiger leadership on a cease-fire

and a surrender of arms by the

militants. The negotiations are being held by Indian intelli-

gence agencies and representa-tives of Mr V. Pirabhakaran, the leader of the Tamil Tigers.

Officials believe an agreement is possible soon.

NZ announces austere budget

Announcing his fourth bud-

get, Mr Roger Douglas said

sales of government assets were expected to raise at least

NZS2bn (\$811m) this financial year and NZS9bn eventually.

The catalogue for privatisa-tion includes the Bank of New Zealand, Postbank, New Zea-

land Post, substantial forestry

assets, the property group Gov-

ernment Property Services, the Tourist Hotel Corporation, three international sirports,

An agreement was in sight .tive, they say.

occupied territories.

the West Bank.

eeting with the military may meeting with the mintary may have swayed him. Yesterday, some of his harshest critics, including Mr Kukrit Pramoj, a former prime minister, paid tribute to what they described as a democratic

gesture.

Maj Gen Chatchai, 66, a retired cavalry officer, heads the business-oriented Chat That party, which won 87 seats. in Sunday's election. He is a former diplomat, foreign and industry minister, and has been a deputy prime minister under Gen Prem since 1986.

He is expected to reappoint Air Chief Marshal Siddhi Sayetsila, leader of the 54-seat Social Action Party, as foreign

The other parties in the pro-The other parties in the pro-posed 215-seat coalition are the Democrats, Ruam Thai, a northern-based grouping, and the United Democratic Party, which only has five seats. Although most commanta-tors welcomed the develop-

ment, there were also concerns that some politicians, if given a free hand, could worsen Thai-land's corruption problems. Most were willing to let the new government prove itself although there are donbts about how long it will last.

how far the King intends to go.

One suggestion is that a recent spate of official leaks along

these lines is intended to put

pressure on Mr Arafat to mend fences with King Hussein. One

suggestion from informed

observers is that a recent spate of efficial leaks along these lines is intended to raise pres-

sure on Mr Arafat to mend

Israeli officials yesterday

said Jordan's cancellation was unlikely to have a major

impact; AP adds from Amman.

Peres, who has encouraged Jor-dan to form a joint negotiating delegation with moderate Pal-

estimans, said he did not see

about a fortnight ago but did

not materialise because of a

hitch over the composition of a committee to be formed for the

rehabilitation of the Tiger mili-tants, a substantial amount for

which is to be provided by

india. No figure has been announced but some reports

say this could be as much as

Indian officials say there is

Disarming of the Tigers with

no let-up in the operations against the Tigers despite the

in Sri Lanka remains the objec-

the shipping corporation and even the National Film Unit.

In the current year the

assets sales are expected to help to produce a budget sur-

plus of NZ\$2.2bn or 3.6 per cent

of GDP, compared with last year's surplus of NZ\$467m.

However Mr Douglas noted that under the financial deficit

accounting system introduced last year there would be a defi-

cit of about NZ\$1.88bn or 2.2

Phone

of the

per cent of GDP.

rental..

Freedom

Rss.5bn

negotiations.

Foreign Minister Shimon

fences with King Husseln.

Perhaps more remarkable given their bitter divisions

Indeed the Prince and Mr Hun Sen now seem broadly agreed on the need for a power-sharing body to take the country through to general elections following Vietnam's

December 1989, a year ahear issue and raised fears of a return to power of Mr Pol Pot.

Seoul economy powers ahead

or without military action and SOUTH KOREA recorded a persuading them to return to the mainstream of normal life Seoul. Experts rose 26.8 per cent despite strikes in many industries.

> tral bank, reported that June's surplus, at \$1.3bn, was the highest ever recorded for a single month. Chemical exports rose 51 per cent, machinery 45 per cent, and footwear 40 per cent. The meter industry, a big export earner, was hit by strikes and car exports declined by 62 per

The bank earlier reported a provisional figure for growth in gross national product in the first half of 12 per cent, with a predicted yearly out-turn of 10 per cent, compared with last year's 12 per cent.

Israel diplomats fly to Moscow

FIVE Israeli diplomats flew to Moscow yesterday as their country's first official repre-sentatives in the Soviet Union for 21 years, reports Eric Silver from Jerusalem. They are due to attend sabbath eve service at the main synagogua tonight.

The Soviet Union has had a low-key consular delegation in Tel-Aviv for the past 12 months. Mr Mikhail Gorbachev, the Soviet leader, is eager to foster Arab-Israeli peace negotiations on equal terms with the Americans. He recognises that to do so he must be able to deal with both sides of the conflict. Israel has made full relations a condition

Sihanouk to meet leader of Kampuchea

By John Murray Brown in Jakarta

TALKS IN INDONESIA aimed at resolving the nine-year Kampuchean conflict con-cinded yesterday with delegates unable to agree on a final communique but commit-ted to continuing the peace process with the setting up of

working committees.
Prince Norodom Sihanonk,
former leader of the threeparty Kampnchean government in exile, and Mr Hon Sen, Prime Minister of the Vietnamese-backed regime in Phnom Penh (PRK), are to meet in France in October.

Following the final day of talks among the four Kampu-chean factions, Vietnam, Laos and the six members of the non-communist Association of Southeast Asian Nations, the Khmer Rouge, the largest of the three anti-Vietnamese resistance groups launched a fierce attack on Hanoi's occupation of its neighbour. In his first statement of the

talks, Mr Khien Samphan, the Khiner Rouge leader, called it a "shameless lie" for Vietnam to suggest Kampuchean fac-tions were agreed on a "wide

was that the four factions met for the first time since Viet-nam's invasion in 1978 without major breakdowns.

troop wifhdrawal.
Prince Sihanouk, in present

fractions this week, dropped his earlier demand that the PRK be dissolved as part of a settlement. He said the four Kampuchean armies should remain

The Peking-backed Khmer Rouge, which controls tha largest guerrilla force fighting Vietnam's occupation from bases in Thailand, this week sat aftently through most of the closed sessions, forced to and the closed sessions, forced to be considered and sales from the closed sessions. endure repeated calls from the elimination of its 30,000strong armed force.

It was the Khmer Rouge government of Mr Pol Pot which for three years ravaged Kampachea, killing perhaps as many as im people and prompting Virtuan's invasion. "If one party obstructs a solution," said Mr Hun Sen yesterday, "we should not let this remain in the way of a

the agony of the Kampuchean Vietnam's planned with-drawal of its 140,000 troops by of schedule, has served to highlight the Khmer Rouge

political solution and prolong

31.5 per cent increase in its current account surplus to this year compared with \$4.6bm for the same period in 1987, reports Maggie Ford from

The Bank of Korea, the cen-

for Soviet participation.

The Israeli mission will serve under the umbrella of the Dutch embassy, which has looked after Israel's interests since the Soviet Union severed diplomatic relations at the

Face-to-face on Angola's border

Anthony Robinson reports from Ruacana, where three armies meet

armies ever seen in southern Africa now face each other across the Cunene River which marks the

Cunene River which marks the boundary between Sonth Afri-can-occupied Namibia (South West Africa) and Angola. According to South African military intelligence, at least 12,000 Cuban troops, including more than 8,000 men from President Fidel Castro's machanical 50th Division area mechanised 50th Division, are positioned along a 100km front between Ruseans and the Kavango river in the south of Angola's fifth military region. The nearest Cuban forces are

as close as 10km away from the South African Defence Force (SADF) and locally recruited South West Africa Territorial Force (SWATF) troops in their bases on the Namibian side of The SADF believes the

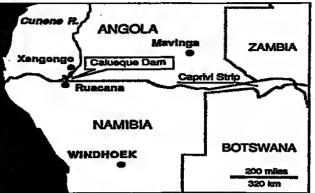
Cubans are supported by three Angolan army (Fapla) brigades of between 5,000 and 6,000 men and an estimated 1,000 guerrillas of the South West Africa People's Organisation (Swapo). The Cuban reinforcements and their equipment started arriving at southern Angolan ports and airfields last October after the failure of a combined Angolan-Cuban advance on Mavinga, the stronghold of the rebel Unita movement led by Dr Jonas Savimbi.

itly recognise the Cuban move southwards as a strategic coup which caught them badly off balance. This was underlined last month, when a dozen Cuban-piloted MiG-23 fighterbombers bombed the Sonth African-held Caluegne Dam, 25km inside Angola, and killed 11 white soldiers.

Even the South Africans tac-

The fighters took off from upgraded and tarred forward airfields constructed by the Cubans at Camaha and Xangongo, only a few minutes' fly-ing time from the border. The Cubans maintain that

they were provoked into attacking South African forces by long-range artillery bombardments from Pretoria's G-5 cannon, which have a 40km



range. The South Africans say they did not expect such an attack only hours after the lat-est round of peace talks, aimed at settlement of a tangled web of regional issues, ended in

The upshot was that President P. W. Botha ordered all South African forces to with-draw south of the border to prevent further politically sensitive white loss

This tactical withdrawal has, however, been accompanied by an unprecedented build-up of men and equipment. Sonth African Mirage and Impala fighters scream ont of the heavily defended Oshakati air-base, less than 50km from the border, on low-level practice hombing raids.

A steady stream of military hardware - heavy transports, armoured troop carriers, light tanks and other sup-plies - flows in convoys up the main road from the south and along the railway to the railhead inside the main logistical hasa at Grootfontein. In an attempt to disrupt the

flow, Swapo guerrillas recently blew up four bridges carrying this strategic artery over dry streams. The traffic merely slows down to by-pass the blown bridges

Next week in Geneva the fourth round of US-sponsored peace talks between Angola, Cuba and South Africa begins, with Soviet officials hovering discreetly in the background.

A top priority must be to keep the two armies apart until agreement can be reached on repatriation of the estimated 54,000 Cuban troops in Angola and the withdrawal of Pretoria's estimated 50,000 troops to beyond the Orange River, which marks the

Africa and Namibia.
The consensus in Windhoek, the Namibian capital, is that there is no chance of such an agreement before South Africa's municipal elections at the end of October and little chance of resolving the com-plex side-issues without months, or even years, of

southern border between South

For the military on both sides, the prospect of protracted talks against the background of such an unprecedented build-np of forces poses enormous dangers - as well as opportunities to sabotage the negotiations.

If fighting does resume,

there will be tremendous losses and the biggest battles since World War Two because of the level of forces and their proximity," say senior South Afri-can intelligence officers.

There is a clear, but unspo-ken, inference that elements in the South African military bitterly resent the fact that Cuba had the last say with its raid on Calueque and are itching to get their own back. After the embarrassment of that raid, the SADF is at pains

to point out that until now the air force has not used its up-rated Cheetah fighters. These are essentially converted. French-supplied Mirage 3 fight-ers, fitted with the latest elec-

tronics and upgraded eogines.
"We believe that the Chee-tahs can match the MiG-23s and if our ground forces are threatened we will use them," they say. A major problem ins. however. Soviet-sup plied MiG-23s can be replaced: downed Cheetahs cannot, because of the arms embargo.

Cuban-manned missile depla-cements pose another problem for South Africa - there are at least 160 surface-to-air missiles in the Angolan fifth military

region.
"We have lost manoeuverability because of the missiles, but we can still fly around them. It also depends on who is manning the radar and the missiles. The Russians and Cubans are good. Fapla is not. If it comes to a fight they'll shoot down many of their own planes in the confusion," the South Africans believe.

Meanwhile, Pretoria's military strategists say they think the maio objective of the Cuban thrust south is to take advantage of UN Resolution 435, setting out a timetable for independence in Namibia.

Its military provisions would restrict South African forces to a mere 1,500 men in two bases, away from the Angolan border If or when this happens, the SADF believes Fapla will mount a massive attack on Unita's strongholds in the south-east of the country. At the same time Swapo guerrillas, who are said to have moved south under the Cuban and Fapla umbrella, would be well placed to infiltrate across

the border.
The view from the Namihian side of the Cunene river is fil-led with scepticism and suspi-cion. Yet the knowledge that if fighting resumes it will be on an large scale, with the proba-bility of heavy losses on both sides, is probably the best guarantee against macho adventurism from either side.

1918 "Taisho Marine" 1988



Message from President

During the business year under review. personal consumption in Japan has grown at a steady pace. At the same time, grown at a steady pace. At the same time, housing investment showed large growth and capital expenditure was restored. On whole, the Japanese economy expanded primarily because of increasing domestic demand.

Under these circumstances, the Company was eble to achieve the results shown below by exerting its best efforts to expand the Company's business and to improve its managerial efficiency. We are, as ever, grateful for your kind

pport, without which these results could not have been achieved. Looking to the present and the future, various difficult factors will influence the development of the Japanese economy including the restructuring of the economy caused by stimulating domestic demand whilst et the same time adversely affected by increased trade friction and the considerably stronger value of the yea. The business environment of the non-life insurance business is in the process of significant changes, which include the measures taken by the Japanese government to liberalize some of the restrictions on linancial activities and internationalize these activities, the change of industrial structure and the approach of the so-

called "aged society".

Under these conditions, the Company strives to further improve its business results. To this end, and being keenly aware of the many important changes in our business environment, the Company intends to further strengtheo its corporate structure through continuous efforts to secure and develop its manpower, as well as through concerted efforts to elevate the level of managerial efficiency, to carry out research and development in respect of new lines of insurance and services which correspond to the increasingly diversified coverage needs of consumers, to improve its sales network and claim handling system, to strengthen its investment abilities and to expand the information systems which support these activities.

In addition, the Company will have attained the 70th anniversary of its foundation on October 21, 1988, under your patronage. We deeply appreciate your cootinued favor and take this occasion to request your further support and cooperation in the future. Business in General

In order to meet diversified coverage needs, the Company marketed several innovative types of insurance, such as Juvenile Comprehensive Insurance with Maturity Refund, whilst continuing its ongoing efforts to develop asset formation insurances of all types. Also, the Company continued to strive to offer improved customers services, including an effort to aid medium-sized enterprises in expanding their businesses overseas. The Company also expanded its sales network and service system by establishing new branches, strengthening its agencies and improving its claim handling system. In addition, the Company strove to diversify its investment portfolio through the expansion of its investment companies overseas, which will also further strengthen its ability to invest its assets. The Company also continued to expand its information systems in order to compete effectively in this age of advanced information and also continued to improve managerial efficiency.

In the overseas insurance business markets, unfavorable business conditions persisted in spite of the better conditions in some areas. The Company continued to pay attention to loss ratio factors and maintained its conservative underwriting policies.

As a result of the Company's efforts to improve its business principally by the means described above, the Company was able to achieve the business results given below which exceed those of the previous business

The total net premiums written on all lines of business amounted to \$2,969,192 thousand, a 6.5% increase over the previous period, the total assets increased by \$4,255,760 thousand to \$22,802,672 thousand and the oet income for the year was \$228,000 thousand.

Despite the Company's continuous efforts to expand the business base of Hull Insurance, the continued appreciation of the yen resulted in a reduction in the amount of pet premiums written below that of the pre-vious period. The net loss ratio deteriorated compared with that of the previous period.

Cargo and Trans As a result of the Company's efforts to expand and strengthen its business base, centering on Import Cargo Insurance, in spite of the epprecia-tion of the yen, the expansion of domestic demand resulted in the increase of net premiums written over those of the previous period. The net loss ratio deteriorated compared with that of the previous period.

Fire and Allied Lines Housing construction greatly increased, and et the same time, the Company reduced the premium rate. The Company sought to increase the demand for its insurance and to promote sales and marketing, centering its efforts on Householder's Comprehensive Losurance and Storekeeper's Comprehensive Insurance. The net premiums written increased by 4.9% compared with those of the previous period. The net loss ratio deteriorated compared with that of the previous period. Personal Accident

The Company concentrated its marketing efforts on both Personal Accident Insurance with Maturity Refund and Personal Accident Insurance. The net premiums written jocreased by 1.7% over the previous period. The net loss ratio improved compared with that of the previous

The favorable increase in the national figures for the number of new atomobiles sold helped the Company to successfully promote its automobile related business eentering its efforts on the Private Automobile Policy. This enabled it to increase the net premiums written by 8.8% over the previous period. The net loss ratio improved compared with that of

Compulsory Automobile Liability The Company's efforts to expand and strengthen its sales network and to undertake promotional activities, resulted in a 7.1% increase over the previous period in the net premiums written. The net loss ratio improved compared with that of the previous period.

The net premiums written showed an increase of \$.3% over the previous period as a result of increases in Liability Insurance and Movable Comprehensive All Risks Insurance, etc. The net loss ratio deteriorated compared with that of the previous period.

With respect to overseas business, the generally unfavorable business conditions still persisted, although some of the markets showed signs of improvement. The Company maintained its conservative underwriting strategy. At the same time, the Company made an effort to strengthen global insurance services in view of the fact that other enterprises of Japanese parentage continued to expand their business overseas.

Despite unfavorable investment conditions resulting from low interest rates, the continued appreciation of the yen and the sharp global fall in shares in the latter half of the business year, the Company's efforts to expand and strengthen its investment department and to diversify investments and increase investment efficiency through securities purchases end loans resulted in net investment income after deduction of expenses incurred of \$250,072 thousand, an increase of \$16,896 thousand over the

Assets		E SHEET (Lizblitties and Stockholders' Equity		
	(Dollars in	thousands)		(Dollars in	thousand
	1988	1987		1988	198
Investments	\$19,636,144	15,554,512	Losses and claims	\$1,065,528	1,032,23
Cash and cash items		772,712	Unearned premiums	1,779,120	1,609,46
Net premiums receivable			Investment deposits by policyholders	6,203,488	4,767,29
and agents' balances	562,890	389,592	Accrued income taxes	5,457,720	4,322,03
Property and equipment.			Other liabilitles	1,148,632	924.76
net of depreciation	809,344	747,304	Stockholders' equity	7,148,184	5,891,12
Deferred policy acquisition costs		417,304			
Other assets		665,488			
Total		18,546,912	Total	\$22,802,672	18,546,91

previous period.



TAISHO MARINE AND FIRE INSURANCE COMPANY, LIMITED TOKYO, JAPAN

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AMERICAN NEWS

Broker fired in US insider trading probe

By James Buchan in New York

WILLIAM DILLON, a junior broker at the giant Merrill Lynch securities firm, has been fired after an investigation into alleged trading in stocks to be tipped in Business Week, the big New York-based business and financial magazine.

The dismissal of Mr Dillon, 33, who was fired on Wednesday after two days of question-ing by Merrill Lyncb officials, is the first result of a widening investigation involving the magazine, the main US stock exchanges and the Securities

and Exchange Commission.
According to the investigation, Mr Dillon, who joined the firm at its New London, Con-necticut, office in 1986, was allegedly tipped off about the contents of Business Week's highly regarded weekly invest-ment column. Inside Wall Street. There has been speculation that he was tipped off by workers at a nearby printing plant which produces Business Week every Wednesday night. It was not clear yesterday if other Merrill Lynch brokers were under suspicion. R R Donnelley, the big Chicago printer that turns out Business Week at the Connecticut plant and a

second in California, said it

had looked into security and

group, launched its investiga-tion when Mr Gene Marcial, the editor of the column, noted suspicious pre-publication trading in stocks he tipped in his column. The column retails rumours and speculation about takeovers and other price-sensitive corporate transactions. In some stocks tipped by Mr Marcial, there was dramatic trading activity on the Thursday before the magazine's Friday publication. Gradco, a paper sorting company praised in the issue that reached newsstands on July 15, rose 11.4 per cent on more than four times

A report last Friday about the Business Week investiga-tion set off the alarm at Merrill Lynch, said Mr William Clark of the firm. He said that its compliance officers, using a computerised system that records all trades by Merrill Lynch employees over 40 days, turned up some fisby Thursday trades in its New London

its normal volume that Thurs-

This is the second insidertrading case to touch a respected US business publica-tion. In 1985, Mr Foster Win-ans, a Wall Street Journal reporter, was convicted for selling advance notice of stocks turned up nothing amiss.

Business Week, the flagship publication of the McGraw-Hill

Heard on the Street column.

Brazil opts for a costly brave new world

Ivo Dawnay reports on an impractical and almost unworkable draft constitution

HE fierce passions unleashed in the clash this week between Bra-zil's constitution-drafting legislature and President José Sarney now look set to subside. But the argument

For just as Mr Sarney attempted in a nationwide broadcast to set the broad-est context for a debate on the coher-ence and cost of Congress's 321-article draft, Mr Ulysses Guimaraes, his vet-eran rival in the constitutional assembly, has deftly evaded it.

Instead of addressing the President's questions about the cost of the proposals, Mr Guimarães chose in an angry reply to deal only with the micro-case for the devolution of power from federal to state and municipal authorities. to state and municipal anthorities.

He was backed by a succession of

fiery speeches from congressmen who chose to portray Mr Sarney's intervention as a last bid by the ancien regime to defend its vested interest against the relentless tide of democratic progress.

That is an injustice. The truth is that Mr Sarney, not before time, has confirmed what most intelligent Brazilian opinion has long feared — the draft constitution is a mess.

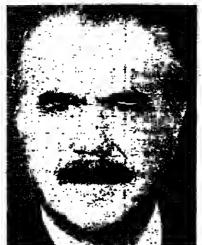
To back up his thesis, the President

produced a formidable array of examples, not least the astonishing but credible claim that the document's provisions will cost \$12.6bn in additional expenditure - double Brazil'a annual income tax revenues.

To the left, however, both the figures

and the assertion that the draft will render the country "ungovernable" seems like exaggerated alarmism and yet another attempt at political brink-

Mr Sarney's mucb-publicised meeting last weekend with military ministers carried, opponents alleged, an implicit threat of intervention in the democratic



Jose Sarney: questions of cost

process. In much the same way last March, they claimed, he succeeded in frightening Congress into voting him a five-year term of office.

Furthermore, they say, his warning that the constitution will lead to higher taxes, unemployment, hyperinflation and the throttling of investment is merely a description of what has already happened under his leadership. "Sarney is preparing his excuses," said one opposition party organiser this week. "In future, the economic disaster will be Congress's fault, not his."

All this carries a certain convincing resonance. But, equally, so does Mr Sar-ney's prediction of doom and despair. Unfortunately, the President looks fated to be ignored.

The briefest perusal of the draft -

painstakingly drawn up over 18 months by Congress sitting as a Constitutional Assembly — suggests that it is both



Ulysses Guimaries: angry reply

impractical and almost unworkable. Impractical and amost unworkable.

It avoids tackling issues such as the division of power and checks and belances and instead paints a picture of litopia, ignoring entirely how it is to be financed by Brazil's empty coffers.

Few issues are too small not to ment the drafters' attention Conservers year. the drafters' attention. Generous pen-sion and paternity rights, job security for public servants, limits on shift working, the vote at 16, curbs on foreign investment in a country crying out for capital, ceilings on interest charges and the abolition of the debts of various interest groups are just a few examples of this brave new Brazilian world. Moreover, the document also, with a

the drafting of enabling legislation

begins.

So what happens next? Hopes among leaders of the right-wing Liberal Front. Party (PFL) that the whole draft would be thrown out collapsed on Wednesday night when the document was approved as ready for final amendments.

These will now be taken. But changes are not expected, although some controversial elements will be removed through inter-party agreements. This is because approval of amendments requires a 250-vote majority.

With politicians drifting away to municipal election campaigns, a quorum is already proving hard to establish. To deliver his cherished infant, Mr. Guimaräes, the veteran president of Congress, must kurry. A definitive version, with many warts, is expected in early September.

In the meantime, the question absorbing political analysts is how much this matters. Brazdian constitutions have a short life — there have been eight since independence in 1822.

independence in 1822.

independence in 1822.

Furthermore, despite the solemnity with which this version is being constructed, the country's traditional pragmatism is likely to iron out or simply ignore many of the worst anomalies and impracticalities.

Perhaps the most disturbing revelation highlighted by the drafting process is how far removed the legislators appear to be from the acute practical problems facing Brazil. Hardly the least of these is how to create growth to finance ambitious social programmes.

President Sarney emphasised this in

Moreover, the document also, with a wave of a wand, cancels all decree laws — the main instrument of government during 21 years of military rule — that were not debated by Congress. This alone will do much to feed the confusion which is certain to emerge when

Garcia calls for tighter laws on terrorism

By Barbara Dutt in Lima

PRESIDENT Alan Garcia vesterday proposed tough action against Peru's Maoist Sendero Luminoso goerrillas.

Speaking on the third anniversary of coming to office, he pleaded for national unity

against terrorism and for eco-

nomic co-operation.

He said the eight-year war against the guerrillas had cost more than 15,000 lives. He promore than 15,000 lives. He proposed a toughening of anti-terrorism laws, making membership or association with
subversive groups punishable.

Mr Gartia said he wanted
those "who place a bomb or
distribute leaflets" to be as
guilty as those who commit
acts of terrorism. He saked
that those found with arms or
explosives be charged with terrorism and that investigation
of terrorist crimes be in the
hands of the police rather than
the judiciary-

the judiciary.

In addition, he called for the setting up of special tribunals

for terrorists.

Suggesting a political realignment to coincide with his new, tougher stance, he praised both the military and police for their fight against

police for their fight against insurgency.
On the economy, Mr Garcia said 1988 was going to be a difficult year. He pointed to inflation, predicted to soar to more than 400 per cent this year, and an acute dollar shortage as the principal problems. But he said increased export income this year from mining would help.
He admitted that his proposal to nationalise banks and

posel to nationalise banks and financial institutions a year ago had contributed to the ago had contributed to the country's economic problems, but said he was unrepentant. He said the proposal was and is necessary to break the grip of three top economic groups.

Despite his obstinacy on bank nationalisation, the President dent asked the business com-munity to join forces with the Government to revive the

economy.

Mr. Garcia also announced a reform of the national social security system. He is to aubmit legislation to allow labour \$400m of interest in arrears
from May ought to be paid.
Argentina's foreign currency
reserves are officially
described as "very low". The
talks therefore have a degree
of ingency if bankers are to
syoid shother nervous day on.

\$400m of interest in arrears
| Mr. Garcia also announced a
reform of the national social
security system. He is to aubmit legislation to allow labour
unions or individual workers
to opt out of the state-owned
Security and seek private

Poll puts Dukakis 17 points ahead of Bush Argentina resumes loan talks

date, has extended his lead over George Bush, his Republican opponent, to 17 percentage points, Reuter reports from

According to a Wall Street Journal/NBC poll taken after the Democratic Convention and published yesterday, Mr Dukakis has a 51 to 34 per cent lead over Mr Bush Mr Dukakis had big leads

among two important groups; a four-to-one lead over Mr Bush among Democrats who voted for President Reagan four years ago, and a 56-to-26 per cent lead among women.

ent lead among women.

The Vice-President, despite his claims to be conservative.

MICHAEL DUKAKIS, the NBC poll, 54 per cent approved. Democratic Presidential candi of Mr Dukakis's choice of conservative Texas Senator Lloyd Bentsen as his running mate; 19 per cent disapproved. Mr Bush, who will be nomi-

nated formally in New Orleans at the Republican convention on August 15-18, has embarked on the process of selecting his vice-presidential candidate. Yesterday, Conservative Republican Senator Gordon Humphrey of New Hampshire said be was founding a group called the Coalition for a Winning Ticket to pressure Mr Bush to pick a conservative, or risk losing the November 8 election to Mr Dukakis.

is viewed suspiciously by mem-bers of the right who see him as part of the party's moderate Eastern establishment. Prominent conservatives

among those mentioned as run-ning mates include Senate Republican leader Robert Dole, former United Nations Ambas-sador Jeane Kirkpatrick, and Representative Jack Kemp. Also in the speculation are Dole's wife Elizabeth; former transportation secretary; Kan-sas Senator Nancy Kassebaum; former Tennessee Governor Lamar Alexander, New Jersey Governor Thomas Kean; Illinois Governor James Thompson; and, despite his proclaimed lack of interest, California Governor George Deukmejian.



Michael Dukakis: big lead among important groups

By Gary Mead in Buenos Alres

TWO senior Argentine government officials have arrived in Washington to resume discussions on the country's foreign debt interest payments, which this year will be almost \$5bn. Mr Mario Brodersohn, the

Treasury Secretary, and Mr Luis Machinea, the central bank president, hope to reach agreement with the interna-tional Monetary Fund for a new standby loan of \$1,50m, including \$400m outstanding from a previous loan.

According to the Argentine officials they would regard a

new loan as sufficient to cover interest payments and fiscal deficit requirements up to the

end of 1889, when President Ranl Alfonsin's administration leaves office. The two sides have already met twice this month and, according to Mr Machinea are "very close" to

an agreement.

However, 85 per cent of Argentina's \$550m foreign debt is in the hands of 320 commercial banks. The Argentine delegation intends talking to them too, with the hope of obtaining by September \$20m more.

While the BAF will be considering Argentina's failure to adhere to its year-old agreement to hold its facal deficit to 2 per cent of GDP for the second half of 1987 and cut inflation, commercial banks are

pondering Argentina's increasing tendency to fall into arrears on its interest payments. In June, Argentina came within six days of missing the 90-day deadline imposed by US banks for interest payments. After the deadline, US banks must place debten a non-performing basis.

A similar deadline will arrive on August 6, when \$400m of interest in arrears from May ought to be paid.

WORLD TRADE NEWS

Hyundai negotiates with workers after price shock

By Maggle Ford in Seoul

HYUNDAI HEAVY Industries, the South Korean shipbuilder, expressed shock and astonishment yesterday at the actions of World-Wide Shipping, the Hong Kong group beaded by Sir Y.K. Pao. It has accused Hyundai of unbusinesslike methods in attempts to renegotiate the price of an order. The renegotiation, under

which Hyundai is asking for the price of \$120m (£69.5m) for three 250-dwt very large crude carriers to be increased to \$195m, follows action by Hyun-

Mr S.H. Hwang, head of ship sales, explained yesterday that

the company had told workers extreme action in making accusations against Hyundai. during annual wage negotia-Apart from the union prob-lem, the npturn in the shipping market and the appreciation of the won against the dollar since 1986, when the order was tions that it would make a loss this year and that bonuses could not be paid.

The workers then decided to snspend work on six ships ordered under unprofitable placed, justified new talks on terms, including the three for World-Wide, and to concen-trate on orders which would the contract terms, he said. Mr Hwang said he would try to reopen negotiations after he had "recovered from the shock" of World-Wide's accusahelp the company's balance sheet. Contractors for the other three ships were not named.

Mr Hwang said World-Wide was aware that delicate negoti-ations with the union were He said be was confident that a settlement would be reached with the workers and that delivery dates would be continuing and said he could not understand the company's

over other ship orders

By Kevin Brown, Transport Correspondent

the smps ordered by World-Wide are very large crude oil carriers, each of 254,000 tons deadweight. The first is due for delivery this month, the second in October, and the last in February.

orders for similar ships, placed mostly by European and Far Eastern shipowners. However, there was no evidence yester-

over the completion of two 254,000 dwt tankers due in September and January. A.P. Moller, the Danisb tanker operator, said it had

shipping executives said pri-vately that there was little doubt that most of the South Korean shippards were in seri-

ket last year, compared with about 46 per cent for Japan, but its aggressive price-cutting helped to force down prices to a level where almost all yards were losing money.

Prices have begun to rise. however, following extensive scrapping of older tonnage, which has virtually eliminated overcapacity of about 100m which has virtually eliminated overcapacity of about 100m far, the putative charter's extens in the world tanker fleet.

Peter Montagnon on parliamentary criticism of a back-up body

BRITAIN'S Export Credits Guarantee Department was lying low yesterday in the wake of the outspoken criticisms levelled at the walled to a particularly hostile round of questioning.

But while they acknowledge the walled to a particular of the walled to t the validity of some of the PAC criticisms levelled at it by the House of Commons Public criticisms, exporters say they are also worried that it has Accounts Committee (PAC). In keeping with parliamentary practice, it will be up to the Treasury to reply to the PAC report and that will happen gone too far. "No matter how ECGD present their accounts they are not going to look good. Perhaps

they need more help from the only when Parliament recon-venes in the autumn. ECGD SHOT itself in the foot with its decision to seek independent advice on its loss provisions from accountants Peat Marwick McLintock, after its latest accounts were qualified by the National-Audit Office, Peter Montagnon writes.

ECGD officials had hoped that the Peat Marwick report Yet there is little doubt that the PAC has delivered a humiliating blow against an organi-sation that in recent months has been subject to increasing criticism in Parliament and parts of Whitehall for its grow-

ing recourse to borrowing from the public purse. Largely as a result of a steep that the Peat Marwick report would endorse its policy of not following the Bank of England increase in the payment of claims against countries with debt difficulties, its borrowing matrix for commercial banks in determining an appropriate level of provisions on soverhas grown steadily to total 21.7bn at the end of the last financial year, compared with just £652m two years earlier.

eign debt.
But the Peat Marwick report
published by the PAC yesterday came down in favour of
using the Bank of England's
matrix as the starting point The PAC report is larded with criticism - about ECGD's accounting policies, the level of its provisions against possible losses on sovereign debt, the PAC than they are receiving," adequacy of its arrangements to counter fraud and above all,

according to Mr Roy Withers, tieputy chairman of Davy Cor-ECGD is not alone in facing financial difficulties as a result of the debt crisis. The latest survey by the Berne Union of export credit insurers showed

a general trend towards shrinking business, higher claims and trading deficits, but according to Mr Ian Campbell, chairman of the British Export-ers Association (BEXA), ECGD provides better support to exporters than equivalent organisations in many other countries.

BEXA has a long tradition of criticising ECGD, he said. He still believed it was a bureau-cratic organisation whose officials were more concerned with damage limitation than with providing what the mar-ket wanted, but it was gradually improving.

The PAC confirmed in its

report that ECGD was to modify both its accounting pracfor calculating ECGD provi-

Pest Marwick dismissed the ECGD's argument that it was not a bank and should not be obliged to use a formula devised for banks in calculat-ing its provisions. There was "little to choose" between banks and export credit agen-cies when both were having to account for rescheduled debt.

"In our opinion, the Bank's matrix is more objective than ECGD's existing methodol-ogy," Pest Marwick said. If the matrix had been used in com-piling ECGD's latest set of accounts, its provisions would have been up to almost twice the total of ELIbu posted.

tices and its approach to loanloss provisions to give a better picture of its financial position in the future, but it had little to say on how ECGD should deal with its government overdraft.

In the last couple of years ECGD has transformed the way in which it handles short-term insurance applications so that 60 per cent of enquiries are answered within 24 hours. This is now starting to produce an increase in turnover after several years of decline.

Its executives believe the seeds are being sown for a

revitalisation of the organisation which in time will enable it to overcome its problems. However, with or without the PAC, ECGD clearly faces a difficult recovery process:

The already intense compe-

tition it faces from the private sector is likely to grow with the launch of the EC single market in 1992 which will open up new possibilities in the UK for some continental export credit agencies.

• In the shorter term ECGD faces a big rent increase on its London headquarters

• Despite the increase in short-term insurance business, its projects business remains depressed by the shortage of orders from developing countries.

ECGD is rare among export credit agencies in that it is expected by the Government both to support exports and to break even over time. Most of its foreign counterparts do not have to make loan-loss provi-

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But, say exporters, it is now being penalised because in try-ing to support exports it has run np against a period of losses. Such criticism as osses. Such criticism as embodied in the PAC report could ultimately threaten its existence because its twin objectives of supporting exports and breaking even cannot always be compatible. Mr Alan Clark, the Trade Minister and a keen supporter Minister and a seen supporter of the ECGD, seemed to sense the trend of this debate in a speech as long ago as March, when he the ECGD "indispensable." Without it, he said, British business would have had to

absorb about £3bn worth of unpaid bills resulting from the debt crisis.

R-R engines

ROLLS-ROYCE will gain up to 270m of new business in providing its RB-211-535E4 engines for air Boeing 757 airliners ordered by Ansett of Australia. The six sircraft were held by

day, confirms there is a re-equipment tide funning in favour of the Booing 757 among

Brazilian charter 'alarms' EC By Ivo Dawnay in Rio de Janeiro

THE EUROPEAN Community

about the level of borrowing

from central government, now forecast to reach a peak of

forecast to reach a peak of some £3.5m by 1983.
Insofar as these borrowings are the result of claims paid and not yet recovered, they contain the seeds of a potential loss which could result in substantial cost to the taxpayer, the report supposes.

the report suggests.

Expectations that the PAC

would produce a critical report

had been running high since March, when it subjected Mr Malcolm Stephens, the ECGD

is alarmed at the implicit hostility to foreign capital invest-ments in Brazil's draft constitution, which could worsen the country's relations with the trading bloc.

That was the blunt message of Mr Karl-Heinz Naries, EC science and industry commissioner, to the Brazilian press at the atart of a 10-day official visit to the country. He said that, as drafted so

distinguishes between national and foreign companies, represented a "discriminatory act against the rest of the world."

and privatisation, deregulation and privatisation, he claimed. This we cannot accept without question and without reaction, which is now beginning to be discussed in the Community," he said.

The commissioner, who was due to meet President José Sarnay in Brasilia yesterday, added that the country's failure to recognise intellectual property rights was also concerning the EG. Current trends

"Brazil is opting for self-iso-lation. If it happens, this will represent a significant change in the quality of its relations with Europe," he warned.

Mr Narjes's visit, which includes meetings with several ministers and industrial chiefs. is to examine progress by Bra-zil, Argentina and Uruguay in creating their own economic

Boeing 757s By Michael Donne, Aerospace Correspondent

for Ansett's

Ansett on option. The deal, announced yester-

HK shippers suspect Korean ploy to improve contract social environments" that had raised labour costs by 50 per "IT IS easy to understand why ness by stashing its fleet to 56 ships and less than 10m dwt. World-Wide is so cross," com-

mented one Hong Kong based shipping analyst on the row this week over efforts by Hyundai, the Korean ship-builder, to renegotiate a \$120m contract for oil tankers. "World-Wide's timing has always been very good - both buying and selling vessels - and it must be infuriating to bave a shipbuilder attempting to deny you the benefits of having read the market right."
At the centre of the dispute

are three 250,000-dwt very large crude carriers, ordered late in 1986 by World-Wide Shipping. the Hong Kong-based shipping group controlled by Sir Y.K. Pao At that time, Korean shipyards, like others across the world, were hard-pressed for orders, and had offered what even World-Wide acknowledges was "a very competitive price" to build the three ships. However, in two telexes sent to World-Wide in the past six

weeks (the latest on July 14),

Hyundal said it had halted

work on the third VLCC and was asking for an "adjust-ment" of the \$40m contract price for the two vessels now nearing completion. The telexes, from Mr Sunghyuk Hwang, Hyundai Heavy Industry's senior vice-president, blamed "drastic changes

of political, economical and

cent, had led to a 20 per cent rise in the international exchange value of the Korean currency, and had resulted in

increases in materials prices.
Mr Hwang said that, because
of these "uncontrollable of these changes", the building budgets for the vessels had been exhausted. He said work on the third of the VLCCs had ended. and offered to return to World-Wide its advance payment for the vessel. Today, such vessels would

probably cost about \$65m to build. However, because they are among the first VLCCs to be built in more than 10 years. there is no second-hand market by which to set a price for them. Even so, it appears clear that Hyundai faces losses under the terms of the existing contracts.

Most shipping operators see

Hyundai's move as a ploy to negotiate better terms now that world shipping markets are more buoyant.
World-Wide, which was in
1979 the world's largest shipping group, with 202 vessels amounting to more than 20m

dwt, was among a small group of operators to emerge virtu-ally unscathed from the crisis

thet swept the industry in 1986.

This was largely because it anticipated the slump in busi-

Late in 1986, when most international ship operators were hobbled by debt and a surfeit of capacity, World Wide found itself ready to build up its fleet at bargain prices. Dr Sohmen said yesterday: "In 1986, the market was still weak, but we felt it was turn-ing round. We had scrapped 18 vLCCs and, as a predominantly VLCC operator, we had to look at rejuvenation and replacement."

The group broke its close links with Japanese ship-build-ers and placed two major orders in Korea – the one now in dispute with Hyundai and a second, also for three oil tankers, with Daewco. Shipping analysts in Hong Kong recall that the two orders played an important part in

restoring confidence to the bat-tered shipping industry, given World Wide's reputation for reading market trends accu-Shipping analysts in Hong Kong suggest that World Wide has no choice but to pursue legal action to resolve its dispute. They argue that this may be Hyundai's intention. Settlement of the dispute would have to be sought in Korean courts, and the ship-builder would probably win concessions

Korea yard | ECGD suffers a humiliating blow may haggle | Peter Montagnon on parliamentary

THE CONTRACT dispute between Hyundai and World-Wide Shipping raises the pos-sibility that the South Korean shipyard may try to renegoti-ate some of the other 48 orders on its books.

Many of these were placed at about the same time as the World-Wide order, when prices were near the bottom of a long decline caused by shipbuilding over-capacity.
The ships ordered by World-

in February. Hyundai has a number of

day that the yard was seeking to increase agreed prices. Mr Luc Bras, technical director of Petrofina, the Belgian shipping company, said he had been assured by Hyundai that there would be no difficulties

heen given similar assurances about four 254,000 dwt VLCCs due for delivery between February and October next year. However, other European

ous financial difficulties. The problems being suffered by the yards are a consequence a rapid increase in shipbuilding capacity during the 1980s as South Korea became the world's second largest shipbuilder, after Japan. South Korea had 30 per cent of the world shipbuilding mar-

THERE ARE LIES. DAMNEDLIES ANDSTATISTICS ABOUT PORTABLE COMPUTERS.

Computer advertisements often speak with forked tongue.

Manufacturers are prone to describe anything that weighs slightly less than a desk as "portable."

Or they forget to mention the battery pack that weighs an extra four pounds.

Or to give you processor power

they get rid of the batteries altogether.

Some portables come with

slip-a-disc facility.

blow.

 $-\sqrt{c}$

Thereby making the "portable" dependant on a power lead for the rest of its life.

Or they build screens that are only legible in a dark room.

And what these computers lack in specification their ads often make up for with overclaim.

But the Zenith TurbosPORT 386 and SupersPORT 286 machines were designed so that they could even use OS/2 on the move, miles from any power socket.

And all our machines, from the SupersPORT up

can plug in to your office network in seconds.

Beware of the "portables" So while being more verthat need to be kept on a lead. satile than any other portables they remain as fast as the equivalent desktops.

You don't believe us?

July '88 What Micro? magazine summed up by saying: "...(The SupersPORT 286) must be the laptop micro that everybody would love to have: it's faster than most desktop micros, weighs from 14.5lb, runs on batteries and

> has the best LCD screen we have seen."

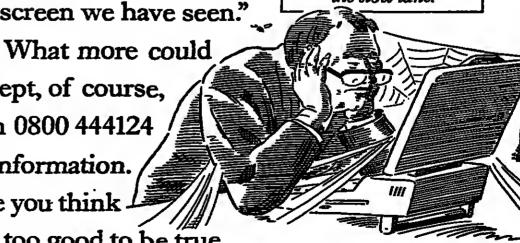
we say? Except, of course, phone us on 0800 444124 for further information.

Some manufacturers make screens that need to be kept in the dark.

> In case you think it all sounds too good to be true.

Some portables run in the slow lane.

M





Export credits body challenged over accounting

By Peter Montagnon, World Trade Editor

THE EXPORT Credits the committee warned. Guarantee Department (ECGD) – Britain's official export credit insurer – over-stated its results by reporting a trading surplus of £179m in its latest accounts for 1986-87 and should increase its provisions against losses on sovereign debt, the House of Commons Public Accounts Committee

said yesterday.

Its report, which pointedly ignores the efforts made by the ECGD to introduce more profitable underwriting procedures and increase husiness tornover, raises new doubts about the department's long-term financial vishility. The committee said that it

was also concerened about the department's mounting borrowings from the Exchenner hich could rise to as much as

Exporters say that the ECGD, which has been struggling with an upsurge in claim payments as a result of the developing country debt crisis, has faced an increasing groundswell of criticism in Parliament and parts of White-hall as its horrowings from central government rose to \$1.76m at the end of March.

"We are not entirely reas-snred by the department's statement that no losses will be involved because interest is charged on the balance outstanding. . . The trading account may be unable to atand the heavy interest charges that will fall npon it."

It said the ECGD should have applied Bank of England guidelines in establishing pro-visions against loss on its exposure to developing countries. This would have substantially increased the £540m allocation to provisions in its 1986-87

financial year. The ECGD had received such advice from accountants Peat Marwick McLintock from whom it had itself commiswhich it and tests commis-sioned a report after its latest accounts were qualified by the National Audit Office because of its provisioning policy, the

or its provisioning pointy, the committee said.

"We do not accept that a reported surplus of £173mn for 1988-87 could be regarded as a true and fair view of the results of ECGD's trading activities in that year. And we do not regard it as sufficient correction of the position for ECGD to qualify this reported surplus by seeking to explain in notes to the accounts how it had been calculated."

ECGD was in the process of

ECGD was in the process of introducing new accounting standards, it said.

The committee also said the The committee also said the ECGD, which is now paying out some E800m a year in claims, should examine the possibility of stepping up the resources applied to the prevention of fraud. The ECGD declined to comment on the PAC report to which the Gov. PAC report to which the Government will reply in due course through the Treasury. Humiliating blow, Page 4

British industry triggers £8.5bn investment boom

Simon Holberton assesses the biggest spending programme by companies for 20 years

HE HEADLINES have improvement in the balance of. been about British consumers' profligacy, surges in credit, rising interest rates, and the strong pound. But arguably something more important and long-term is happening in Britain: an investment boom is under way. This year companies are

planning to invest more than at any other time in the past 20 years, surpassing the last peak set in 1979. The best guess is that manufacturers will speed more than £8.5hn in 1980 prices, a measure which strips out the effects of inflation.

Ecoomists agree that the surge in the amount spent on plant and machinery currently in train will provide the setting for further sustained rises in

For the Government's enp-porters in the City of London and Westminster it amounts to a continuation of the "supply-side miracle" and a vindication of the Government's economic policies. Critics might argue that it has taken a long time to get back the levels of invest-ment recorded in the late In the short-term, however,

economists give a warning that the rise in investment is exacerbating Britain's balance of payments deficit hecause much of the new machinery being purchased comes from ahroad, notably West Germany. Contrary to the Trea-sury, they also say that when the aurge in investment slows, as it seems likely to do, there

payments. However, a moderation in the rate of growth of invest-ment may not mean that the current expansion of the econ-omy is peaking. Many econo-mists believe it is no longer meaningful to talk of a business cycle, although a surge in investment during the 1950s until the 1970s was often seen

as a peak in that cycle. Mr lan Harwood, UK economist at Warburg Securities says: "I don't take the view that we've got a cycle in the UK like we had. The expansion of the economy has been going on a lot longer than anyone

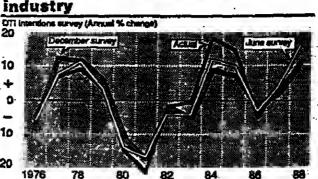
had thought possible.

"At some point the economy has to slow down, but if, as we think, it's to a level of 2% percent to 3 per ceot then that does not mean a recession." The early years of this decade were extremely difficult decade were extremely difficult for manufacturing industry and investment. They followed a long, troubled period for the British economy and coincided with the blow dealt to the UK (and world economy) by the second oil shock, and by poli-

cles pursued by the Govern-ment itself which stressed a strong pound and tight mone-tary policy. Changes to company tax law in 1984 further clouded the investment outlook. They led first to an acceleration in investment, as companies brought forward plans to take

ances, and secondly to a slow-

investment in UK manufacturing industry



Source: DTL Note: The graph plots the DTT's impesiment intentions survey against actual impesiment in manufacturing. The December survey is for the forthcoming year over the current year, the June survey is for the current year over the previous year.

Growth was given a kick-start by the depreciation of sterling after the oil price fell sharply in 1986. A period of sustained and rapid economic expansion ensued and contin-tudes led by brownt connes today, led by buoyant con-sumer demand.

In a textbook economy investment lags a rise in demand, as companies wait to see if the higher levels of demand will be sustained. In the first instance a surge in demand tends to be taken up hy a combination of higher employment and greater use of a company's existing plant and

been observed over the past. year or so.
There have been large falls in recorded unemployment coupled with industry complaints over shortages of skilled labour.

There is also evidence of There is also evidence of growing capacity constraints in industry. This, week, the Confederation of British industry's quarterly survey of trends in manufacturing indicated that industry was operating at its highest rate since the CBI began measuring it in the late 1850s. This all points to further rises in investment.

Manufacturing industry is in a strong financial position to meet higher such expectations.

Profits have been rising at historically high rates. Before tax profits rose by 22 per cent in 1986, 17 per cent in 1987, and City analysts expect them to rise by about 12 per cent this

Forecasting investment behaviour is, however, diffi-cult investment is sensitive to business confidence or, as John Maynard Keynes said, aminat spirits. Quantifying offlinism or pessionam in an economic model and then attempting to predict it is next to impossible.

The Department of Trade and Industry has, however, been accurate in forecasting future trends in investment through its half-yearly surveys of investment intentions. It

of investment intentions. It saks about 1,600 large companies, which represent a subject of its wider ottartely capital expenditure survey population, there investment place for up to two years ahead.

The last survey was published in June and pointed to a rise in manufacturing investment, including leased assets, of 16 per cent this year. That compared with an initial forecast of 11 per cent derived by the DTI from its December survey. Last month's survey indivey. Last month's survey indi-

vey. Last month's survey indi-cates that manufacturing investment will rise further in 1969, although at a slower rate. The CRI survey identifies chemicals and metals manufac-turing among sectors expected to increase their investment strongly. Capital goods and some consumer goods indus-tries expect lower levels of investment "suggesting a

steady rate of replacement rather than expansion". Industry is investing primarily in improve efficiency, the CRI survey suggests, but those companies citing expansion of capacity remained at its highest level since the CBI first select the question in 1979. There are also signs that replacement of existing capital equipment for new is growing.

A is difficult in discern the A is directly in discern the proportion of investment devoted to new equipment as opposed to new buildings with any precision, but the CBI's latest survey indicates that the rate of growth of construction for manufacturing is flagging

for manufacturing is flagging while that devoted to equip-nient has maintained its Mr Bavid Walton, interna-ticual economist at Goldman Sachs, said "Provided earnings continue to grow and there are more tax cuts in the offing there is little reason to think companies will stop investing. It is not as though we are head-

ing towards a recession."
He questions, however, whether the current surge in investment will raise the nation's stock of capital suffi-ciently to allow domestic production to meet domestic demand and hence have a significant impact on the trade

welcome though the planned rise in investment is for Britain's future growth potential it does not necessarily presage the end of the Government's problems with the balance of payments.

Cordless phone operators set for licence battle

By Hugo Dixon

A MAJOR battle for licences to operate the next generation of cordless telephones is likely around the country. operate the next generation of cordless telephones is likely after Lord Young, Secretary of State for Trade and Industry, said yesterday that the Government had decided to award between two and four licences

The phones, sometimas called telepoint phones, are expected to revolutionise telephony in the 1990s. The cost is expected to be about £150, com-pared with over £1,000 for cel-

Cordless phones, however, are more restricted than the cellular variety. They can only make outgoing telephone calls and must be used close to base

CONSERVATIVE-dominated

House of Commons Social Services Committee yesterday

rejected many of the ideas for reforming the National Health

Service under consideration by the Government.

The committee examined

By David Churchill and Clay Harris

THE OFFICE of Fair Trading is

carrying out a preliminary investigation of English China

Clays, the industrial, minerals

and construction group, to see

if a monopolies inquiry needs to be undertaken by the

possible reforms being consid-

ered by the health care review

Lord Young, who gave details of the scheme in a par-liamentary written answer, made clear that British Telecom and Mercury Communica-tions, the UK's two mainstream telephone operators, would not automatically

The other telecommunica-

Central funding of health must

continue, says MPs committee

effect in practice, we have of necessity considered these

solely on the basis of their own internal logic. On this basis,

our investigations have shown that each contains major draw-backs," Mr Frank Field, its

service unions all welcomed the committee's support for maintaining a centrally-funded NHS.

information.
It stressed that this was a routine investigation to deter-

mine the facts of the market and did not mean that a

monopolies inquiry would automatically be carried out.

English China Clays faces inquiry

The report says central fund-

In a uoanimous report on the NHS's future, the all-party committee eaid that the etrengths of the service "should not be cast aside in a short-term effort to remedy some of its weaknesses."

The committee examined the committee a support for the committee as a sport for the committee as a sport for the committee as a support for the support f

headed by Mrs Margaret ing is bound to continue as the Thatcher, the Prime Minister.

"Given the absence of any health services. There are

Monopolies and Mergers Commission.

The OFT confirmed yesterday that it had written to the company and others in the china clay industry seeking certain financial and market

automatically be carried out.

English China Clays, which is one of the leading UK suppliers of aggregates, clays and road surfacing materials, acknowledged yesterday that it had received a letter from the OFT and was in the process of

tions companies who are interested in the service are: Anto-phon, Ferranti, GEC, GEC Plessey Telecommunications, Libera, Mullard. Multitone, Orbitel, Philips, Plessey, Shaye, Racal and STC.

Ashdown wins leadership poll MR PADDY ASHDOWN yesterday secured an over-whelming victory in the fight

to become the first elected leader of the Social and Liberal Democrats and at once pledged his party to build "a decent, effective and responsible" alternative to Thatcherism, Michael Cassell writes.

Mr Ashdown, aged 47, who entered the House of Commons in 1923 as a Liberal MR account.

in 1983 as a Liberal MP, scored a resounding win over his only rival, Mr Alan Beith, the for-mer deputy leader of the Liberal Party. Of the 57,603 party members

who took part in the leadership election, Mr Ashdown took 41,401 votes against just 16,202 for Mr Beith.
The contest produced a high turnout, with 72 per cent of the party's 80,000 members taking

The result was welcomed by Dr David Owen, the leader of the continuing SDP,

strong arguments in favour of the present system, it says. An extension of tax relief to

all private health insurance contributions would reduce the total amount of public expendi-ture from which health service

resonrces were drawn while narrowing the tax base.

narrowing the tax base.

To be politically feasible, says the report, any new system of funding or delivering health care would have to be hroadly agreed between the major political parties.

The committee is lukewarm

about US-style health mainte-nance organisations - another idea which has been consid-

Separately, the company announced yesterday that Sir Alan Dalton, chairman since 1984, would retire in February.

shortly after his 65th birthday.

Sir Alan is to be succeeded by Lord Chilver, vice-chancel-lor of Cranfield Institute of Technology, who has been a non-executive director of ECC

sor, Lord Chilver will not be an executive chairman.



Paddy Ashdown celebrates victory with his wife Jane

Government agrees broadcasting change

By Raymond Snoddy

A CABINET Committee chaired by Mrs Margaret Thatcher, the Prime Minister, yesterday endorsed a radical package of policies for the future of British broadcasting. The package includes com-petitive tendering for ITV fran-chises, the creation of a lifth national television channel, probably financed by advertis-ing, and the replacement of the Independent Broadcasting Authority by a new commer-cial television authority which would regulate all commercial television including cable and satellits.

The purpose of yesterday'a meeting was to agree the broad thrust of government policy so that officials could begin drafting a white paper (policy document) in preparation for the introduction of a major broadcasting hill in the autumn of the

In almost every case details of particular decisions taken in principle have yet to be for-mally worked out but there is now confidence that a white paper can be published before the end of this year.

The Government is also moving strongly in favour of allowing ITV companies to be taken over in the way that other publicly quoted compa-nies can - subject to some

minimum additional rules.

The franchises of the present ITV companies run out at the end of 1992 and the current drift of Government thinking auggests that the new ITV companies will have fewer public service obligations - news and regional programming will probably remain - and will be freer to compete in the new; much more highly-competitive

The Government plans are the Government plans are being seen as a response to changing technology and competition as much as the result of Thatcherite ideology.

Separate selling of Channel 4's airtime is also likely to be included in the white paper although discussion is continuing on this issue.

A separate patienal commen.

A separate national commercial night-time franchise is also very much a front-runner for inclusion. A sixth channel is still a possibility but there are technical uncertainties still to be recohered.

be resolved.
Ironically Lord Young, the Trade and Industry Secretary, admitted publicly for the first time yesterday that a fifth channel was technically possible. In a written answer Lord Young said a fifth channel which could reach between 65 and 70 persons and 11 the could reach the said to the said the said the said to the said the said to the said the sai and 70 per cent of UK house-holds could be established from about 1992.

Marriott to put £100m into budget hotel chain

Marriott, US hotels group, plans to invest £100m in the UK over the next five years on a chain of budget priced hotels with the name Courtyard, the company's latest move into the fast-growing UK market for budget hotels.

The first will open next year

at Fortsmouth and the second in Lendon's Bocklands: Fifteen are planned by the early 1990s, creating up to 1,500 jobs.

Crown Suppliers sale Tha Government has confirmed its intention in privatise most of the Crown Suppliers, the government central pur chasing agency.

Canary Wharf contract A 7,000-tonne structural steel contract for Canary Wharf, one of London's most prestigious office schemes, has been awarded to Victor Buyck, Bel-gian fabricator.

Short Brothers

The Government has refused extra cash for Belfast aircraft makers Short Brothers, which is earmarked for privatisation.

Cat baffles experts

A wild cat, larger than a domestic cat and about the size of a fox, killed by a car on Hayling Island in Hampshire, has animal experts bailled as to its origin.

Opren victims decision Forty alleged victims of ban-ped arthritis drug Opren, dis-sastiafied with the assessed compensation offered by Eli Lilly, the US drug company, have had their cases decided by arbitration in the High Court. Some awards were increased by between 20 and 50 per cent.

1,000 jobs to go Sheffield Council is to axe 1,000. jobs next year to save £20m. About 2,000 jobs have already

Doctor's AIDS warning Isolation of AIDS victims and prejudice could drive the threat underground, said Dr Jonathan Mann, director of the World Health Organisation'e global AIDS programme.

Saunders loses challenge on fraud office powers By Raymond Hughes, Law Courts Correspondent

MR ERNEST SAUNDERS, the MR ERNEST SAUNDERS, the former chairman of Guinness who faces 42 criminal tharges in the Guinness affair, has failed in a High Court challenge of the powers of the Serious Fraud Office which is handling the prosecution.

Mr Saunders had complained about a hother had complained about a hother bent by the SFO requiring Mr Sean Dowling, a Guinness director, to hand

Guinness director, to hand over affidavits and other documents. They included evidence by Mr Saunders and former Guin-ness director Mr Tom Ward in the civil action in which Guin-

ness is seeking to recover \$5.2m paid by the company to Mr Ward. Two of the charges Mr Smmders faces in the criminal pro-ceedings relate in that pay-

Mr Saunders argued that because he had been compelled to the civil proceedings to disnal charges, the notice breached his constitutional right not to incriminate him-self.

He asked the court to quasi-the notice on the ground that the SFO was exceeding its powers under the 1987 Criminal
Justica Act, and to grant
injunctions stopping it serving
any similar notices.

Mr Justice McNelll said that

Mr Justice McNelll said that the Act empowered the SFO to investigate "any suspected offence." Mr Saunders asgued that once a person under investigation had been charged he was no longer the subject of a suspected offence. Therefore the SFO's power to investigate came to an end.

picion continued until convic-tion or acquittal.

Mr Justice McNeill said that it could not be said that the police must stop investigating an offence once an offender was charged. Charging a sus-pect did not hring an end to the investigation powers given by the Act. by the Act.

The judge said the notice served on Mr Dowling had lapsed, although further notices might be issued by the

Also, he said, Guinness had given an undertaking in the civil proceedings not without the court's leave, to disclose any information or documents obtained from Mr Saunders, As long as that undertaking remained Guinness had a rea-sonable excuse not to comply

with any SFO notice. If Guinness were released from its undertaking, and further notices were issued by the SFO, there would be a point to be argued on the disclosure of

access to self-incriminating material, at least in the possession of a third party. Indeed, it might be said that one of the purposes of the Act was to secure disclosure of such mate-

rial.

However, said Mr Justice McNeili: "It is clearly arguable that a person under investigation should not be compelled, for purposes which might lead or have led to criminal proceedings against him, to disclose that which under civil process he has been obliged to disclose and which is or might be self-incriminatory." The SFO contended that sus- be self-incriminatory."

DTI to probe share deals in engineering groups

THE Department of Trade and Industry is to investigate dealings in the shares of James Neill, the Sheffield-based tools manufacturer, just after Christmas and examined the company's share register.

Francis Industries is owned by Suter, the engineering conglomerate headed by Mr David Abell, F.H. Lloyd is a foundries by Mr David Brian Worth, of chartered and engineering company which last summer merged with Triplex to form Triplex

Lloyd.
Earlier this year the Stock
Exchange investigated dealings
in the shares of James Neill by
Suter. Two members of the
Stock Exchange's surveillance

two inspectors; Mr David Evans, a barrister, and Mr Brian Worth, of chartered accountants Clark Whitehill a

In particular the inspectors will investigate the possibility that investors formed "concert partiee," combining their shareholdings to influence or control the companies.

City's investor watchdog counts the cost of financial rescue

Nick Bunker and Eric Short look at the causes of Fimbra's budgeting crisis and the lessons to be heeded

HERE HAVE heen many technical hitches in the process of giving But yesterday's news that 50

life assurance companies have had to gallop in the financial rescue of Fimbra – one of the industry's new watchdog bodies - is potentially one of the most embarrassing. The Financial Intermedi-

aries, Managers and Brokers Regulatory Association has the

joh of policing at least 9,500 husinesses - many of them

very small - which sell invest-

ment products.
But ironically enough, Fin-bra's own finances have really never looked very solid – a perception confirmed by the news that the life companies have felt obliged to give it a cash injection of film.

When Fimhra's last annual report was published, covering the 12 months to June 30 1987, it revealed that the fledgling SRO already had an account-lated deficit in its accounts of close to £1.1m, £788,000 of it incurred in that year alone. The underlying reason was that it had to build its staff and

scription income was still mea-

the result was that Finnera could keep afloat only with an overdraft from the Bank of England, plus assistance from life companies which not only funded a telephone help-line to answer queries from prospective Finnera members but second that the bandle and are onded staff to handle and procass membership applications. In theory, Fimbra's cash-flow problems should have eased since last summer. The 1986-87

expand office space rapidly in cope with a flood of applications, at a time when its subwould spend only £7.2m, well inside its projected fee income

That, it now turns out, was far too sanguine a view. In the words yesterday of Ms Fions Monro, Fimhra's director of communications: "Although we have not yet got the final figure, it is absolutely clear that costs have been higher than budgeted."
One uncertainty which has consistently dogged Fimbra is that until very recedy nobody

had an accurate notion of how

pendent investment intermediaries in the UK.

At various times in 1986 and 1987 Mr John Grant, who retired as Fimbra's chief executive last year, came up with figures as widely-divergent as 5,000, 8,500 and 15,000 as forecasts of his eventual member-

should have been cleared up by now, as Fimbra's likely mem-

many members it would end up with.

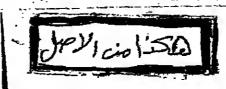
This was because nobody has ever had a reliable figure for the total number of indeferred for the total number of indefe

It has also found that the unit costs of handling applica-tions were far higher than anticipated. This was espe-cially awkward because Finbra only receives a 225 payment with the application form, with the full payable only when authorisation is

has also taken its toll. The SRO has had to scrutinise the affairs of all the independent intermediaries which placed hasiness with Mr Pater Clowes's insolvent gilts fund management businesses. The extent to which Fimbra's costs have swelled will only when authorisation is granted.
In particular, Fimbra has found that a significant numfound that a significant num-

But all this has left Fimbra and the SIB with, potentially, an awkward problem - con-firming the worst fears of observers who argued two years ago that Fimbra was taking on far too big a task in seeking to regulate thousands of small investment busi-

The cash injection from the life companies may have met the SRO's short-term cash flow needs. But both Fimbra and the SIB will now have in re-as-sess the whole question of how to finance Fimbra'e operations



Yet another bunper crop.

In just eleven short years Apple Computer has grown to become one of the largest and financially strongest companies in

States Edit Brienge Steel Stigle Simdows

Spring SWorld With Growth

Sini Income S Millions Pre-Tax.

Sini Income S Millions Pre-Tax

the world. Our turnover for 1987 was £1.44 billion.

We're also ranked 51 in the Fortune 500 list in terms of market capitalisation.

To put that into a British context, we'd be larger than Glaxo Holdings, RHM and W. H. Smith & Son (Holdings) in terms of sales. And we'd be the 29th most profitable company on a pretax basis, ahead of Sears, Courtaulds and Rothmans International.

A remarkable achievement in anybody's books.

Back in 1977, when we started, our sales totalled £418,400. Any doubting Thomas's over the following years

have had to eat their words. Even more so this year

Our latest results show our profits soaring in our

second quarter by 135% with sales up 51% to £468.8 million.

An analyst was sufficiently moved to remark to the 'Wall Street Journal' that our performance was "sensational...the Macintosh™ just keeps gaining momentum."

While the 'Financial Times' was impressed enough to comment "Apple"... has begun to reap the rewards of its efforts to crack open the business personal computer market."

The 'Infomatics Daily Bulletin' said "Apple Computer continued its seemingly inexorable rise towards the top of the IT industry pecking order."

Another leading analyst predicted "Apple could sustain 25% growth for many years." Please excuse us for blushing.

To cope with all this present and future growth, we've established a major new European headquarters in Paris. We're also implementing dramatic expansion plans in the UK.

All perfectly natural behaviour for the largest dedicated manufacturer of personal computers in the world.

For full details dial 100 and ask for Freefone Apple.

It could be the start of a very fruitful relationship.

Apple. The power to succeed.

A race for space, Bristol fashion

THE NAME is a misnomer now. Aztec has nothing to do with Mexicans. It did bave Park West and Southern everything to do with the A to Lakes. There is then the scope Z of technology. Aztec West, a to create what Arlington likes home for high technology companies. It is still that, but it is nesses" rather than just a colchiefly a bome for business wanting some space.

Space bere has a double definition. It not only means facilities for itself, for its visi-accomodation, but also low-rise tors. accomodation in a landscaped setting with plenty of car park-ing. Aztec West, outside Bris-tol, is one of the largest and one of the longest established of British business parks. When Arlington Securities, a

specialist in business park development, paid Electricity Supply Nominees £35m to acquire it 14 months ago, the park was a going concern with a history going back to 1980 with most activity based in the Central Campus and Northern

There was plenty of greenery. "The foliage was such you couldn't see the huildings." recalled Barry Holmes, the managing director of Aztec "It was fairly mature,

but not grown up."
What bas been happening since is an effort to make the park grow without losing the secret of youth. The buoyancy of the Bristol and South West economy has been a belp. The availability of land has been

The site is 157 acres, but half of that remains unused, largely in the Entrance Quadrant,

nesses" rather than just a col-lection of buildings separated

by trees and the ohligatory lakes. But a community needs Companies on the park pointed this out to Arlington,

which has responded in two

ways.
First has been a start to the construction of the Aztec Cen-tre in the Central Campus area. This will have both facilities for small professional firms and common services like conference suites, banks and small shops - newsagent, drycleaners, wine bar and so

Second, work has begun on the construction of a 90-bed-room botel which will have 24bours facilities like gymna-sium, swimming pool and sauna. The hotel will be the largest building in the village area, where the intention is to soften the business atmosphere with a pub and green. Offices will he directed at occupiers with relatively small space demands.

There is in all this, of course, a strong marketing element. Investment in new facilities sbould enhance the ability of Arlington to attract more occupiers and charge them more when they arrive.

By Paul Cheeseright

After the purchase Arlington put aside 13m for new expendi-ture on Aztec West and it is now engaged in a construction programme which is partly speculative and partly pre-ar-ranged with new occupiers -Meiko, the Japanese computer group, and South West Electricity Board, for example.

Altogether some 320,000 square feet of new space is being created at Aztec West, which will bring the total amount of space on the park up to around im square feet. This new space, apart from Aztec Centre and the Village, falls into two categories.

The Northern Sector of the park is actually a light industrial and distribution area used by companies like Wiggins Teape, Tesco, ICL, McDonnell Douglas and IBM but separated from the main body of the park by healing, and trees. This by banking and trees. This area is being filled with new huildings in a joint venture Arlington has set np with Pearce Developments of Bris-

The second category is office development in the main body of the park, two buildings in the Central Campus and another on the outskirts of the

Every new building needs a new planning permission from the North Avon District Council. It is here that the Bl factor, the new class of use which drops the separation of industrial and office activity, comes into play.

It has helped to accelerate a process at Aztec West that had already started. The original planning permissions had pre-supposed that there would be office space with the industrial space. Now, said Mr Holmes, "the incidence of creation of office space has increased dramatically."

The District Council has been sympathetic and its approach contrasts with that described by St Quentin, chartered surveyors, in a recent review. "Some planners see the new BI use class as a threat to their planning policies both in terms of diluting existing established office centres and reducing the supply of land for conventional industrial pur-

The B1 factor with the spending on new facilities and the general strength of the market have combined to give Arlington a sharp rise in its land values at Aztec West. The undeveloped land at Aztec West when Arlington bought the park was worth around £170,000 an acre. Now land on the park is worth around £400,000 an acre.

Although Arlington is not involved in land sales directly. it is prepared to sell freeholds and to engage in design -and-build exercises for new occupi-

ers. With direct sales inter-spersed with leasings it is possible to draw in different streams of revenue in order, as Mr Holmes put it, "to try to keep a balance between out-goings and incomings." Arlington inherited a rent

roll of about flam a year at Aztec West. This gave it a staple source of revenue at the outset. Since then, however, it has been able to increase cashflow by, for example, the sale of land to Shire inns for the hotel in the village, the sale of land to Sun Alliance for a printing centre and the sale to

Wiggins Teape of its hulding.
What all of this adds up to in
financial terms is not clear.
Arlington stresses that it is delighted with its investment and Mr Holmes said "It is payand Mr Holmes said "It is pay-ing its way," but no figures have so far been forthcoming. The park, which has more than 40 occupiers, is a mixture

of owner-occupied and lesse-hold premises. Arlington stresses the flexibility of tenure arrangements into which it is prepared to enter, but that is hardly surprising. The market may be buoyant, but it is not so buoyant as to allow landlords always to dictate the

The companies on the park are a mixture - ranging from high technology, like Digital Equipment, Inmos. Mercury Communications and Wang, to services like Barclaycard, Canada Life Assurance and Radio

Constructed

AZTEC WEST is on the M5 and a couple of minutes from the M5 junction with the M4. It is also about 10 minutes by car from the Bristol city centre. So it it fits into two markets the M4 corridor and the Bristol office market.

Under Construction

Committed

The area flanked by the M4 and the M3 further to the east is one of the most active on the property market. Indeed, this week Bride Hall announced plans for another major development — a mix-ture of industrial, warehous-ing, retail and leisure facilities near Newbury.

But the office rents tend to go down the further out of London along the M4 a pro-spective tenant is prepared to go. On Aztec West, current

rents are around \$11 a square

foot. Hartnell Taylor Cook, the Bristol chartered surveyors, noted that generally the Aztec West rents remain roughly on level-pegging with those of the city centre. Latterly, however, they have slipped behind a lit-

At the Specirum building in Bristol, which has been avail-able for occupancy for some time, Harinell Taylor Cook is quoting £13.25 a square foot-and has two transactions in the hands of solicitors for £12.75 a square foot.

In the current state of the market, Aztec West premises might be expected to catch up with that once some of the new buildings become available. In the Bristol market as a whole there is a shortage of

AZTEC WEST

After a sluggish period, characteristic of many British regional centres, development activity in Bristol has picked up, but the demand for space has led to much of the accompdation likely to become availdation likely to become available in the next 18 months being pre-let. For Arlington then, there is advantage in speeding developments where it can so that Aztec West can have a role in meeting the demand.

The Bristol market has alternating periods of somno-lence and vigour and it would not be unexpected if, in, say, a couple of years shortage of space turned into abundance.

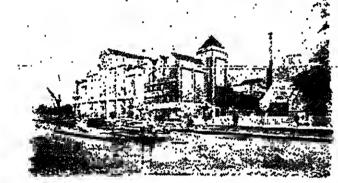
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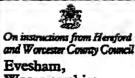
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proclaiming the legand 'Philips' to the open sky.

At the railway station, a statue of a frock-coated Anton Philips, co-founder of the 97-year-old electrical and electronics company, greets travellers.

Nearby, the Evoluon a fly-

ing sancer-shaped huilding which might well have carried the Martian to earth, houses a permanent collection of Phil-ips' contributions to technology. And the town's main hotel, its football team, its sta-dium, and much else besides, all belong to Philips.

Eindhoven is dominated by

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philips much as city-states were dominated by families of renaissance princelings — and s in some ways as well-defended against the outside world. Its remoteness from Europe's main husiness cen-tres is underlined by its rudi-mentary scheduled airline con-pections. Though Phillips' top brass flit around in company brass fift around in company executive jets, less privileged air travellers from London must endure a bone-shaking ride in a noisy propeller-driven aircraft which operates from a far corner of Gatwick airport. But whether Philips' role as

a big fish in a small provincial hackwater is an advantage when it is fighting for survival against ferocious competition in fast-changing world elec-tronics markets is less obvious. Critics, both inside and outside the company, think its self-im-posed isolation may lead to a false sense of security hy shielding its senior managers from international commercial

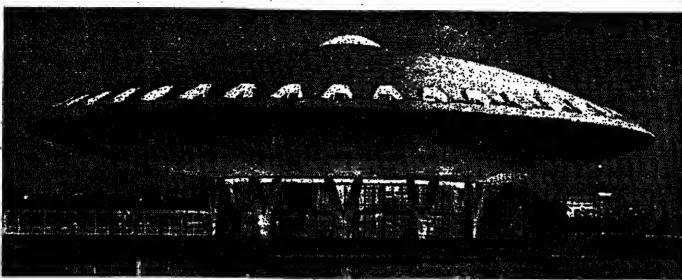
They also argue that the company's unquestioned right to lay down the law in its home town has encouraged a rather institutionalised view of its own role which sometimes seems more appropriate to a government agency than to a commercial enterprise.

Philips' executives, for example, often talk of major corporate activities such as conrate activities such as con-somer electronics and microchips as though their future depended as much on the willingness of European government policymakers to rally to the company's aid as on the company's own efforts to make them profitable.

"I spent years trying to convince board members that if will also be a major feat to things were really going to persuade people closer to the vince board members that if

A cultural world apart

Guy de Jonquières and Laura Raun conclude an examination of the Dutch group by assessing the impact of its traditions and operating style



The Evoluon, which houses a collection of Philips's contributions to technology, emphasises the group's influence on Eindhoven

to somewhere like Brussels. which is on the European busi-ness map," says a former man-ager of a sizable Philips' busi-

ness in Europe. Philips has recently completed a major shake-up of its corporate structure, which has transformed it from a loose confederation of fiercely independent national subsidiaries into a more tightly run organi-sation, in which authority for development, manufacturing and marketing is grouped in major product divisions. But the importance of its

headquarters seems unlikely to ways even be enhanced. Cor van der Klugt, chairman of Philips' management hoard, says: "Eindhoven is the ammunition depot, the think-tank, the centre of excellence which provides all the necessary for national managers to make the profits we can make in the market place, conquer markets and so forth," he says. Van der Klugt is widely cred-

ited with a sincere desire to get Philips moving again. But as well as questioning Eindhoven's fitness as a location from which to mastermind that process, some observers believe it

change, they must move the grass roots of Philips' world-headquarters from Eindhoven wide organisation to do things

Like many large companies of its age, Philips possesses a highly distinctive "corporate culture" — a body of commitments, values and beliefs shared by its 32700 ctoff in shared by its 337,000 staff in



Long-time employees describe themselves as "Philips men" and talk of "the Philips way of doing things." One goes so far as to observe: "I've spent almost all my adult life with Philips. It has become part of my life. I could not imagine a world in which Philips no lon-

Van der Klugt is in many ways a typical product of the system. Like almost all the

was recruited young - at the



ger existed." company's top managers, he

age of 25 in 1950 – and has risen through the ranks to his current position after serving in a succession of posts abroad.

Philips has long earned the loyalty of its staff by being a generous employer, a cradle-to-grave paternalist of the old school. Some workers have even described it as "a social remains."

Though pressures on the company to improve its performance have started to bring to the fore a breed of tougher and more aggressive manager, it still seems instinctively to shy away from hrutal axe-wielding.

Recently, for instance, it announced plans to streamline middle management at its consumer electronics division by abolishing some 900 jobs, Insiders say the decision was intended to signal a determination to get to grips with white collar over-manning. However, many of the sup-

posedly redundant executives involved are simply being shuf-fied around to posts elsewhere in the Philips empire. This humane approach takes its cue partly from Philips' national origins. Like Dutch

it can do well while also doing

society at large, the company is deeply attached to social welfare, consensus and egalitarianism. It still seems to believe that been slowness in translating the excellent technology coming out of its laboratories into

Balling and the Applicate Se

good. The Evoluon, for example, is designed to show that Philips' scientific innovation

has done as much for mankind

Japanese companies, of

course, also prize consensus,

and many larger ones offer employees lifetime job security and other welfare benefits. But

some critics argue that, in Philips' case, the formula has led

and hureaucracy, hlunting the "killer instinct" which moti-

vates its successful Far East-

Philips, however, does not see things this way. It insists that many of its Asian compet-

itors are playing foul by work-

ing their employees harder and paying them less well than it

does its staff in Europe, Some

Philips executives want the

European Community to

impose a levy on Far East

imports to compensate for dis-parities in productivity alleg-edly due to "cultural" differ-

ences between Asians and

too much featherbedding

as for the company's commer-

cial performance.

ern competitors.

ascribed to the long-standing divorce between the company's technical and commarcial operations. It is often described as the "Gerard and Anton syndrome", a reference to the two founding Philips brothers who divided the two sides of the business between them.

For many years, the com-pany continued to have both a technical and a commercial executive running its main divisions. That two-haaded structure has been abolished. structure has been abolished.
But the career paths of Philips'
engineers, an elite hand-picked
from the best universities, continue to diverge from those of
its commercial staff, who usually possess much less impressive academic qualifications.
Tha company apparently
considers the problem sufficiently serious to have engaged

ciently serious to have engaged managament consultanta Arthur D. Little to recommend solutions. One result is likely to be greater emphasis on management training and a more flexible career structure which requires executives to gain experience in a wider range of management disciplines.

It is uncertain, though, whether that will be enough to remove another source of fric-tion - that it is virtually obligatory to be Dutch to win promotion to a position of real power in the company. Gert Lorenz, a West German who heads Philips' information technology division, recently became only the second non-Dutch member of the company. ny's management board in its history, and Dutchmen also hold the top positions in Philips' subsidiaries in the US, Britain and many other coun-

Non-Dutch managers complain they have little opportunity to rise above middle-level posts in their own countries, Whether Philips is yet ready to give foreigners a bigger role at its inner sanctum in Ein-

dhoven remains to be seen. That would be consistent with the company's much-tonted global strategy and efforts at the top to adapt and hroaden its corporate "cul-ture." But as many other oldestablished companies can attest, the next hardest thing to creating a positive corporate culture from scratch can be to change one which is deeply ingrained but has not kept up with the times.

Another handicap which has Previous articles in this series long dogged the company has appeared on July 22, 25 and 27. In earlier editions on Wednes-day the Segment Data figures for North American Philips competitive commercial prod-Corp were stated as being stillions. This should have been The problem is widely

The dichotomy deepens

'Professional' management is a contentious concept, Michael Skapinker reports

om Peters, the co-author of the best-selling management book in Search of Excellence, said at a recent conference in London that if he had the power to do so, he would eliminate the phrase should be run hy the BIM. A "professional management"

from the language.
"I've said to many people call me anything you want to call me, but don't you dare ever call me a professional." Peters was criticising the idea that management could ever be considered a profession in the way that law or accoun-

tancy are professions.

The conference at which he spoke discussed plans to establish a new national qualifica-tion of Chartered Manager, to he awarded by the British Institute of Management, which would become a Chartered Institute of Management.

Peters was, of conrse, opposed to the idea, as were the 380 delegates to the conference. When asked to raise their hands if they supported the qualification, none did.

The conference was organised by The Economist maga-zina and by two organisations which are now at the centre of the debate over the chartered manager qualification: the Council for Management Edu-cation and Development and the Association for Management Education Development. Although the two bodies have confusingly similar titles,

they find themselves on opposite sides of the fence. CMED was formed after last year's publication of the Handy and Constable reports, which drew attention to how poorly trained British managers were.

CMED is the body which is promoting the chartered man-ager qualification. Its officials believe that much of the criti-cism of the proposed qualifica-tion is uninformed and that there is a need for a coherent system of management devel-opment in the UK. AMED is an organisation of

company management develop-ment executives, consultants and academics. This week it published a survey of over 300 of its members on the future of UK management development. The association's members

only 14 per cent thought it should be run by the RIM. A poll of the RIM's own members showed that 94 per cent of them were in favour of the creation of a chartered institute.

The AMED members were very enthusiastic, however, about another idea: that companies should draw up "per-sonal development contracts" with their managers. Learning contracts were supported by 84 per cent of the AMED mem-

Boh Garratt, AMED's incoming chairman, says that the advantage of laarning contracts is that they can include development tasks which are of benefit to both the manager

and the organisation.

CMED recently published a code of practice which called on companies to establish management development goals for individual managers and for the organisation. Garratt argues, however, that the code is too vague.
"Rather than an anodyne

declaration, AMED wants a document that managers can wave in front of their seniors and say 'this is best practice in management development'."

AMED called for the promo-

tion of learning contracts to be separated from the Chartered Institute proposals. "We shall lose the national initiative unless the present complicated set of proposals is unbundled,

the association said.
"We urge the Council for Management Education and Development to separate the two major proposals - those for a code of good practice for joint management develop-ment initiatives in participating companies and the more contentious proposals for a professional institute and a single architecture of qualifica-

AMED said that "a small, enterprising, short-life group of highly regarded management education practitioners and line managers should be set up by CMED to put flesh on the code of practice and stimulate were not as solidly opposed to initiatives to ensure its adop-the establishment of a Chartion by British business."

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FINANCIAL TIMES

U.S. \$100,000,000 Allied Irish Banks Pic Subordinated Primary Capital Perpetual Floating Rate Notes n accordance with the provisions of he Notes, notice is hereby given, that

In accordance with the provisions of the Notes, notice is hereby given, that for the three roomths Interest Period from July 28, 1988 to October 28, 1988 the Notes will carry an interest Ratio of State per annuum. The Interest payable on the relevant Interest payment date October 28, 1988 spatiest Coupon No. 13 will be U.S. \$226.81 and U.S. \$2,670.14 respectively for Notes in decembrations of U.S. \$10,000 and U.S. \$250,000. The sum of U.S. \$226.81 and U.S. \$250.000 principal amount of Registered Notes. principal amount or regression.

By: The Classe Manhalism Reak, il.A.
Leaden, Agent Bank

due 2005

denomination in Bearer form (Coupon No. 35).

By: The Chase Manhattan Bank, M.A. 0

U.S.\$70,000,000 Autopista Vasco-Aragonesa,

The Kingdom of Spain

Notice is hereby given that for the six months interest period from July 29, 1988 to Janusry 30, 1989 the Notes will carry an interest rate of 84% per amon. The interest payable on the relevant interest payment date, January 30, 1989 against Coupon No. 7 will be U.S. \$449.65 and U.S. \$11,241.32 respectively for Notes in denominations of U.S. \$10,000 and U.S. \$20,000 and U.S. \$2

0

U.S. \$50,000,000 Bergen Bank A/S

Figating Rates Notes due 1991 in accordance with the provisions of the Notes, notice is hereby given that for the six months interest period from July 29, 1988 in Jenuary 31, 1989, the Notes will carry an interest rate of 84/%. The interest psychio on the relevent interest psyment date, Jenuary 31, 1989 will be U.S. \$445.62 per U.S. \$10,000 principal amount of Notes.

By The Clause Nashatian Beak, N.A.

Leedon, Agent Bank July 29, 1988

International Bank for Reconstruction and Development

Japanese Yen Special Bonds-Fourth Offering Coupon Rate: 5.125% Maturity Date: March 17, 1998

On March 17, 1988, the International Bank for Reconstruction and Development (the World Bank) issued the World Bank's \$100,000,000,000 Japanese Yen Special Bonds-Fourth Offering (A), Due March 17, 1998 (the A Bonds). The A Bonds bear interest from March 17, 1988 payable annually in arrears on March 17 in each year commencing in 1989. On April 5, 1988, the A Bonds were listed on the Luxembourg Stock Exchange.

On June 21, 1988, the World Bank, pursuant to Condition 1 of the A Bonds, issued an

aggregate principal amount of \$60,000,000,000 Japanese Yen Special Bonds-Fourth Offering (B), Due March 17, 1998 (the B Bonds) with the same interest rate, interest payment dates and maturity date as the A Bonds. Interest on the B Bonds accrued for the period from June 21, 1988, to

March 17, 1989 will be paid on the first interest payment date of March 17, 1989.

On July 6, 1988, the B Bonds were listed on the Luxembourg Stock Exchange and shall be consolidated with the A Bonds for the purpose of listing after March 17, 1989 under the name "International Bank for Reconstruction and Development Japanese Yen Special Bonds—Fourth

After the first interest payment date, the A Bonds and the B Bonds will become fungible and will be traded as a single issue. The Bonds shall be redeemed at 100% of their principal amount on March 17, 1998 and are not redeemable prior to maturity. The Bonds and the coupons related thereto are direct unsecured obligations of the World

Bank ranking pari passu without any preference among themselves, with all its other obligations secured and unsubordinated. The facilities of the Euro-clear System (Euro-clear) and Cedel S.A. (Cedel) will be available for the settlement and transfer of the Bonds through the following securities numbers:

A Bonds: Euro-clear No. 55591 Cedel No. 731595 B Bonds: (until March 17, 1989): Euro-clear No. 56554

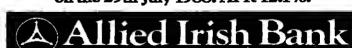
Cedel No. 731646 After March 17, 1989 (the first interest payment date), the A Bonds and the B Bonds shall be treated equally for the purpose of settlement under Euro-clear No. 55591 and Cedel No. 731595.

This Notice of Listing is issued and published pursuant to Conditions 1 and 10 of the Conditions of the A Bonds.

The International Bank for Reconstruction and Development

Mortgage Rate Change

Allied Irish Banks plc, announces that its Home Mortgage Rate will alter from 9.5% to 11.5% with effect from close of business on the 29th July 1988. APR 12.1%.



Head Office - Britain: 64/66 Coleman Street, London EC2R 5AL. Tel: 01-588 0691 Branches throughout the country.

SCIENCE PARKS

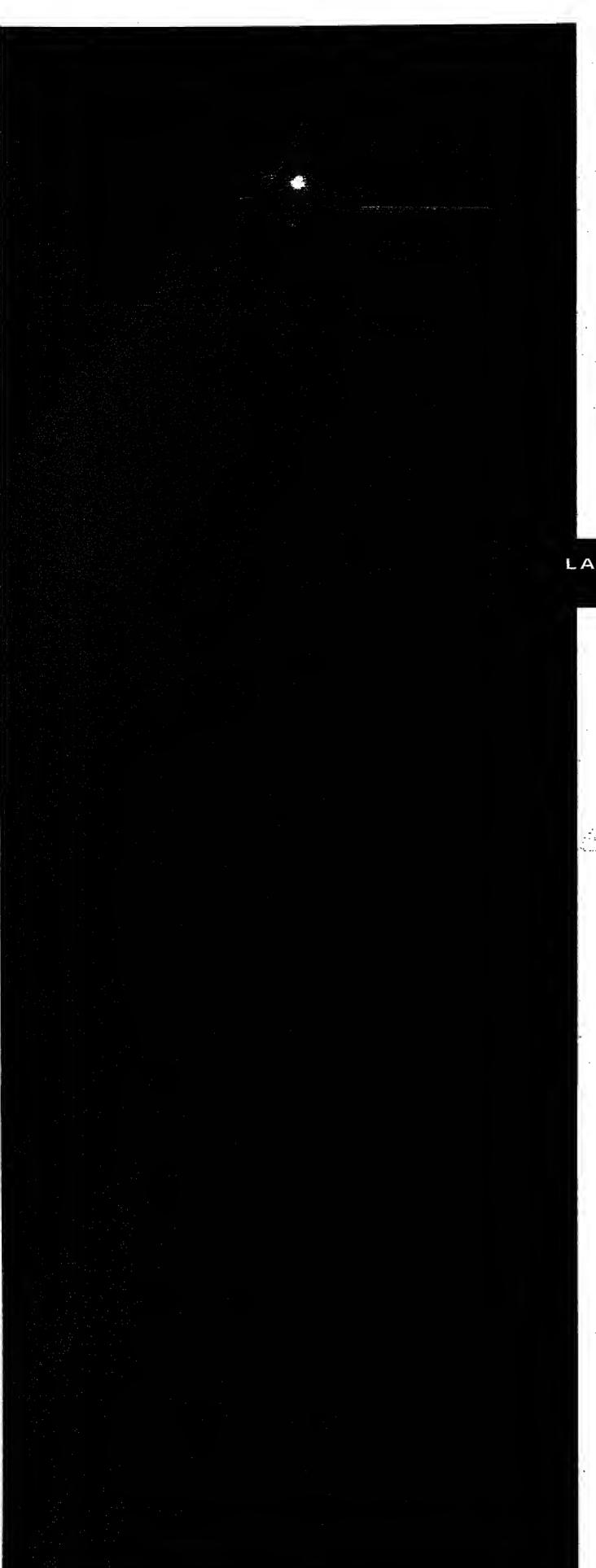
The Financial Times proposes to publish a Survey on the above on

28TH SEPTEMBER, 1988 For a full editorial synopsis and advertisement details, please contact:

ANTHONY G. HAYES on 021-454-0922

or write to him at: Financial Times George House, George Road, dgheston, Birmingham B15 1PG

FINANCIAL TIMES



Initially at least, the explosive device in question usually presents itself rather more innocently.

As a letter, in fact.

Its contents, however, can still prove totally devastating.

Because the letter we're talking about is one which tells you a customer is either in receivership, in liquidation or in very serious trouble.

Last year, over 18,000 customers told their suppliers they couldn't pay their debts.

Sometimes the effect of this was so catastrophic it even destroyed the company receiving the letter.

(Thus creating a very unpleasant snow-ball effect.)

In some five thousand cases, however, the situation was easily defused.

LAST YEAR WE DEFUSED OVER FIVE THOUSAND OF THESE.

Because the company concerned had insured its debts with us at Trade Indemnity.

In these cases we were able to pay out up to 90% of the insured debt.

Leaving our client still very much in business.

Since over 40% of your current assets could be tied up in debts, isn't it time you also considered using our services?

These days, you'll find we're as flexible as your own business.

Fa

igde!

Und

We can, for example, insure all your debts. Or just those you choose to cover.

We have access to credit information on over a million companies in the UK, and millions more overseas.

And our credit analysis service can give you detailed reports on specific companies.

Our collections service can recover debts quickly and efficiently.

And we can also help make exporting a safer and more profitable exercise with various services ranging from credit insurance to non-recourse finance.

To even the largest of companies, in fact, our services have become recognised as sensible, prudent precautions that any well managed company should consider.

For some companies, of course, they may prove rather more than just sensible.

They could prove life-saving.

TRADE INDEMNITY

TECHNOLOGY

A profession's image maker

David Fishlock profiles the retiring director general of the Engineering Council

to chip away at the image of the boiler-suited engineer?
That question was asked by Christopher Lorenz in these columns in 1982 when Keep columns in 1982, when Kenneth Miller had just taken up his appointment as the first director general of the Engithe Finniston report on the lowly status of engineers and engineering in Britain.*

engineering in Britain.*
This Cambridge graduate in mechanical sciences is now retiring from the job, newly rewarded with a CBE and confident that there have been some enduring changes. Brit-ish engineers are on their way back to the sort of public acclaim enjoyed by pioneers of the railways, such as Brunel,

and by aircraft engineers ear-lier this century.

The recipe advanced by Sir Monty Finniston, former chair-man of British Steel, and his committee was bitterly debated by engineers before they agreed to some of its conclu-sions. Not least, they opposed the Government's approval of an Engineering Council with a Royal Charter to try to unify a profession which had become

highly fragmented and full of petty rivalry.

Six years on, the council is the uncontested custodian of a

national register of nearly 300,000 professionals from the 48 engineering institutions that 48 engineering institutions that remain after several mergers. It has persuaded them to accept the same standards of education, training and responaccept the same standards of education, training and respon-sibility for the qualification of engineers and technicians. But registration was merely

the start, a vote of confidence from the "ehop floor" to embark on the big challenge of

raising their status.

To create cohesion in a profession of disparate specialisation but common levels of education and training, the council's board for engineering. set out three categories of prosional engineer, chartered, incorporated and engineering technician. Miller is sure that technician. Miller is sure that this has helped to raise the quality of the profession. Looking outwards, what has the council done for the public image of the engineer? Collec-tively, it has taken the view that the "social antipathy" from which the engineer suf-

from which the engineer suf-fers in Britain runs deep in the

culture and is less a cause of

a symptom of something more fundamental: an antipathy towards wealth creation and

professionalism generally. But Miller says the social climate has changed dramatically dur-ing the lifespan of the council. One of the things it set out to do was to introduce schoolchildren to engineering. Today, Miller says, about 200 schools have an engineer on attach-ment, voluntarily giving guid-ance on careers, for example. It also encourages engineers to become school governors.

Miller cites salary increases as evidence of the improving status of engineers: rises have been ahead of inflation for the past two years. He estimates that a tenth of his chartered engineers now earn more than £30,000 a year, and 20 per cent are in general management, compared with 13 per cent in project engineering. "It's no longer a depressed profession." Nevertheless, Miller is leav-

ing some "unfinished business" in image enhancement for his successor, Denis Filer, formerly ICTs director of engineering, because 10 per cent of Britain's chartered engineers are still earning less than

E12,800 a year.

Bringing about the required transformation of public image was never going to be a cheap task. As the Government was inevitably the main source of funds, it had to be convinced that what the council was doing was in the national interdoing was in the national interest. "I think this is one of the

est. "I think this is one of the major achievements of the council," Miller says.

The council was launched with a modest grant of £1m a year for three years. In 1985, the Government earmarked an extra £43m for higher education, in engineering and techtion in engineering and tech-nology. "Thare's no doubt about it, we played a key role," says Miller.

This token of Government faith in its work allowed Miller to tackle industry for subscriptions to replace the grants. The council recruited "industrial affiliates" – leading employers who recognised the value of engineers. Today it has about 180 and their contributions bring in an extra £500,000 a

As he sees it, financial sup-port from the big employers sent a positive message about the council to individual engineers. As its status rose, it was

able to ask individuals for more than the meagre £2 registration fee. Fees now range from £3 to £7 and last year they brought in nearly £1.7m. Only chartered engineers pay the full fee, but they account for two thirds of the register. In addition, Miller has "a good little business" in examinations for engineers, which reaps another £250,000 a year. For their registration fee.

For their registration fee, engineers have the right —
protected by the Royal Charter
— to use the appropriate title.
Miller contends that there are
still about half a million engineers in Britain today who would qualify as an incorpo rated engineer or an engineer ing technician, but are not yet

He leaves the council finanthe leaves the council man-cially secure, with an income: of nearly £3m this year. His; initial team of 30 has almost. 'doubled and he has built an: organisation capable of: responding quickly to issues — "within 35 minutes on one issue" — which is not a charac-teristic of institutions. teristic of institutions.

For three years he has enjoyed the support of Sir Francis Tombs, chairman of Rolls-Royce, as the council's chairman. Miller saye they have been on the same wave-length on every matter of any importance.

* Engineering: our future. HMSO, 1981.

goes on tape

A SCREEN and keyboard A SCREEN and keyboard system, which enables the punched paper tapes needed to operate embroidery machines to be made in-house, is being offered by Advanced Technology Industries (ATI), of Man-chester in the UK.

Embroidery makers tradi-tionally send the design to outside tape makers, but this causes a delay. The £21,750 ATI system allows designers to perfect their work on screen and then cut the tape ready for production.

Called Stitchbuilder, the machine ntilises a "mouse" digitiser to transfer paper designs into a desk-top com-puter. The mouse is used to trace the design, its button being pressed at intervals to generate position co-ordinates. Modifications for size, colour and shape can be made on

Designs can be printed on paper with a multi-pen plotter. When the designer is satisfied, the punched paper tape can be cut on an associated punching

ATI can be contacted on 061

needs and commitment to particu-

lar hardware.
The UGC envisages four to five

families, each comprising between

10 and 15 universities. Each family will oversee the implementation of

whi oversee the implementation of the migration strategies, through adopting appropriate software. There will be no attempt to ensure that members of a family all use the

same hardware, though Sir Peter argues that "families will have greater purchasing leverage for soft-

Universities are free to choose

whether or not to join a family, but the UGC is dangling a carrot in the

form of implementation grants. It

may fund one computer specialist

A managing team, chaired by Pro-fessor Colin Campbell, the new vice-chancellor of Nottingham, will

per institution in the family.

urope's academic community is planning to upstage the commercial world by announcing what it believes to be a

100

first in computer applications.

By December, the European Academic Research Network (EARN) aims to have in operation the first pan-European computer network conforming to "open" standards, rather than the proprietary stan-dards of computer manufacturers. The network will conform to the internationally agreed Open Systems Interconnection (OSI) model, allowing computers from different vendors to communicate.

"We believe if we meet our dead-lines we will be announcing the first international OSI network," says Joe Chester, executive assis-tant to RARN's president. It would be ahead of the open systems which several commercial organisations are planning for their European net-

The EARN committee believes the switch to open systems will accelerate in the run-up to the Single European Market in 1992. The move towards OSI is of strategic importance to the EC. It's an essential part of Europe's attempts to become more competitive with the rest of the world in R&D," says EARN chairman Dennis Jennings, who is based at University College,

Academics claim a first for European network

EARN was founded in 1983 by universities in seven countries to further research collaboration between academics. Now there are more than 400 universities and col-leges connected to the network in 26 countries. Students and academics using EARN can also exchange information with their opposite numbers on networks in the US (Bitnet), Canada (Netnorth) and

The main use of the computer network is for scientific research, although other disciplines are beginning to get more involved. Academics and students have access to files from any of the participating institutions. A group of Italian universities, centred on Pisa, is putting together a database which lists all the research projects. Another important use of the net-work is to send information to other universities. As well as one-to-one messages, the network can also broadcast a message to a group of Rquipment Corporation (DEC) have users. One such broadcast list consupplied much of the equipment

sists of all those who are interested in the Irish writer James Joyce. Both EARN in Europe and Bitnet in the US grew up using standards devised by the American computer giant IBM because they started by linking universities with that company's equipment. They still use IBM computer links on the dedi-cated leased lines which connect cated leased lines which connect the participating universities (bi-synchronous lines running the Remote Spooling Communications System protocol). The aim of EARN's project, which will cost about Ecu Ilm (£7m), is to replace the IBM protocols on those links with open standards.

with open standards. EARN relies on collaboration between the universities and indus-try. Until the end of 1987, IBM paid some of the national communications links as well as all the international ones. Spending on those international links now amounts to about Ecu 1.5m a year In addition both IBM and Digital Equipment Corporation (DEC) have and expertise needed to get the network up and running.
The latest manufacturer to

donate equipment is the Canadian telecommunications manufacturer Northern Telecom. It has given the organisers four data switches which will be sited in universities across. Europe. Their main function will be to change the network over from the IBM standard to the internationally agreed transmission standard

for packet switching (X.25).

They will also unload some of the communications processing from the universities' computer systems, so freeing the machines for other uses, and speed up the data trans-mission rate over the network. Most of the information is travelling at 9.6 kilohits per second (khit/s). By the end of the year, Chester hopes the transmission speed will reach 64 kbit/s

But because of the time it takes to produce international standards, Chester fears that the services available on the OSI network in December will be less sophisticated than those the universities are already using on the IBM network. Although the electronic mail stan-dard (X.400) has been defined, those for other services remain on the drawing board.

Della Bradshaw

ritain's universities, faced with mounting financial and administrative pressures, are planning a shake-up of their com-puting systems to improve their management services.

They plan to organise themselves into "families" to spread costs and share expertise — a novel approach to high tech developments for these independent institutions.

The new computing strategy for higher education is set out in a paper circulated this month to vice chancellors and principals by Sir Peter Swinnerton-Dyer, chairman of the University Grants Committee (UGC), which distributes govern-ment funds to the universities. Sir Peter cites two main reasons

for the initiative: A growing need to support universities' decisions about resource allocation, research priorities, costing and financial management, as well as to respond to ontside requests for information.

 A demand for the best possible systems to manage scarce resources, when individual institutions cannot afford the fundamental rebuilding of their systems which this entails.

Underlying the diplomatically phrased circular from the UGC is the feeling that universities' use of computers for management pur-

The family approach to revamping systems

poses is extremely patchy. Few have systems which can help them with the gamnt of tasks facing them, from managing student accommodation and paying salaries to planning their future.

posing a three-stage initiative, First, by December it will draw up a blue-print setting out the data requirements of the university sector. It will aim to cover 80 to 90 per cent of the data needs of any institution, which the UGC believes are com-mon across higher education, with the rest being peculiar to each one. Second, each university will pre-

David Thomas pare a migration strategy by mid-

ware and hardware."

1989, designed to bring its existing systems into line with those implied by the blueprint. The UGC is offering to pay universities 80 per cent of the cost of drawing these up. Third, the UGC will use the migration strategies to group universities into families with common problems. These families could be based on the size and type of university, computing development

"The key problem facing most institutions is that, although their systems may be adequate at the operational level, they are less good at providing management informa-tion and of even less value for planning," says Sir Peter.

To put this right, the UGC is pro

meet next week.

July 28, 1988 New Issues

Federal Farm Credit Banks Consolidated Systemwide Bonds

8.10 % \$831,000,000

CUSIP NO. 313311 SA 1 DUE NOVEMBER 1. 1988

8.35 % \$1.042.000.000

DUE FEBRUARY 1, 1989 CUSIP NO. 313311 SF 0 Interest on the above issues payable at maturity

8.375 % \$760,000,000

DUE AUGUST 1, 1989

CUSIP NO. 313311 TC 6

Interest on the above issue payable February 1, 1989, and at maturity

Dated August 1, 1988

Price 100%

The Farm Credit System

The Bonds are the joint and several obligations of the Banks of the Farm Credit System and are issued under the authority of the Farm Credit Act of 1971. The Bonds are not obligations of and are not guaranteed by the United States Government. Additional information may be obtained upon

request through the Funding Corporation.

Bonds are Available in Book-Entry Form Only.

Federal Farm Credit Banks Funding Corporation 90 William Street, New York, N.Y. 10038 (212) 908-9400

This announcement appears as a matter of record only.

KENT ... The Financial Times proposes to publish a Survey on the above on

For a full editorial synopsis and advertisement details, please contact:

Rachel Fiddimore

on 01-248-8000 ext 4152 or write to her at: Bracken House, 10 Cannon Str London ECAP 4BY. FINANCIAL TIMES

SPONSORED SECURITIES Gross Yield Change div (p) % P/E

230	185	Ass. Brit. Ind. Ordinary	230	0	8.7	3.8	8.6
230	186	Ass. Brit. Ind. CULS	230	D	10.0	4.3	
40	25	Armitage and Rhodes	36	0	-	•	-
57	40	BBB Design group (USM)	40	-1	2.1	5.1	6.4
165	155	Bardon Group	265x6	+1	3.3	2.0	23.2
115	100	Bardon Group Come, Pref.	115	0	6.7	5.8	-
148	137	Bray Technologies	138	0	5.2	3.B	20.2
114	100	Brenshill Coor. Pref	114	0	11.0	9.6	
282	246	CCL Group Ordinary	282	42	123	4.4	4.3
155	124	CCL Group 11% Conv.Pref	155mi	+1	14.7	9.5	
251	129	Carbo Pic (SE)	145	-2	6.1	4.2	9.2
112	100	Carbo 7.5% Pref (SE)	109±6	0	10.3	9.4	-
285	147		285	Ō	3.7	1.3	7.9
94		tsts Group	94	ō	•		
118		Jackson Group (SE)	112ml	0	3.4	3.0	12.4
340		Multihouse NV (ArustSE)	320	0	-	•	-
107	40	Robert Jenkins	107	ō	7.5		24
425	124		425	Ď	8.0	1.9	38.6
232	194	Torday & Carible	232ml	ō	7.7	33	7.7
76	56	Trerian Holdings (USM)	83	-2	2.7	3.3	8.9
113	100		113	ō	8.0	71	-
293		W.SYeetes	291	Ď	16.2	5.6	7.9

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These Securities are dealt in strictly on a matched baryain basis. Neither Granuille & Co nor Granuille Davies Ltd are market makers in these securities.

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APPOINTMENTS

Restructuring at Barclays

its European operations to provide a direct business focus for its commercial banking, separating corporate and retail management. Mr Terry Jones, international trade director, corporate division, becomes corporate division, becomes European director, corporate services. Mr Tim Ward, a director of central retail services division, has been appointed European director, retail services. In France, Barclays has appointed Mr Jaques Rambos-son as president du directoire. He will take over as chief exec-utive of Barclays Bank SA on the retirement of Mr Pierre de Lalande, who will continue as chairman of the supervisory board. Mr Giles Davison comes area director, based in Frankfurt, for West Germany, Austria and Eastern Europe. He will be joined by Mr Peter Stappen who replaces Mr Peter Grafham as general manager, Germany. Mr Grafham is returning to head office, Lon-

Barclays Bank is forming a retail investment management company to co-ordinate Bar-clayshare, BZW Portfolio Management (BZWPML) and the agement (BZWPML) and the bank's trust company investment arm. To be called Barclays Retail Investment Management (BRIM), it will be 15 per cent owned by BZW, with the remainder owned by Barclays Bank. It will be grouped in the financial services division of the bank, with Barclays Financial Services (BFS). Mr Mike Pitcher, vice chairman Mike Pitcher, vice chairman and managing director of BFS, also becomes chairman of the new company. Mr Richard King, until recently president and chief executive of Barclays Bank of California, has be appointed managing director of BRIM. He also becomes a nonexecutive director of BFS, chairman of Barclayshare and chairman of BZWPML.

Mr David A. Meredith has been appointed executive director marketing of CHELTON (ELECTROSTATICS).

GRAMPIAN TELEVISION has appointed Mr Graham Good as director of finance. He was company secretary.

FINE TUBES, Plymouth, has appointed Mr David Daudjee as managing director. His responsibilities have included finance, administration and production. Mr Tom Barclay has retired as managing direc-tor but remains a non-execu-tive director. Fine Tubes is a

GT MANAGEMENT has

AWD, Bedford, manufacturer of commercial vehicles, has appointed Sir John Buckley as a non-executive director. He was chairman of Davy Corpo-

LEP GROUP has appointed Mr Peter Grant as non-executive



Lord Chilver, who has been appointed chairman-elect or ENGLISH CHINA CLAYS. He pinted chairman-elect of takes office at the next annual meeting in February when Sir Alan Dalton intends to retire.

Mr Richard Holway has joined the board of TIS. He is corporate marketing director of

deputy chairman. He is chairman of Sun Life Assurance Society and until June 30 was deputy chairman of Lazard Brothers.

GEOFFREY OSBORNE, Chichester, is creating a number of operating companies, the first of which is Geoffrey Osborne Building. Mr John Oliver has been appointed WATER.

P&O EUROPEAN FERRIES has promoted Mr Russ Peters to the main board. He was a director of the Dover operating company. His responsibilities include marketing freight services for all the company's routes.

BARCLAYS is to re-organise British subsidiary of the management structure of CAWSL Corp., Pennsylvania. In Frederick Brand, a partner the management structure of CAWSL Corp., Pennsylvania. nerhsip, consulting engineers, has been elected chairman of

Mr W.R. Dolan has heen appointed director international operations of JARDINE INSURANCE BROKERS GROUP in London. He was chairman and chief executive officer of international operations at Frank B. Hall.

VG ELEMENTAL, a division of VG Isotopes, has appointed Mr Neil Sanderson as managing.

Neil Sanderson as managing.

Neil Sanderson as managing.

Neil Sanderson as managing.

AVIALL has appointed Mr P.M.H.(Martin) Ryan as director of European operations and vice chairman of all its operations. ing subsidiaries for aircraft parts distribution and engine division. He will be based at Aviall (U.K.), Huntingdon.

> Mr John Sheehan has been appointed sales and marketing director of DECLAN KELLY HOMES. He was group sales manager of Charles Church, Mr John Crafts has been appointed production director Guildway, another Declan Kelly company. He was director and general manager of Andrew Murray Joinery.

> AUSTIN ROVER FINANCE has appointed Mr Denis Spooner as sales and marketing director. He was north east area director of Lombard North Central, another National Westminster Bank Group sub-

> Mr Richard Holway has joined rate marketing director of Apple Computer (UK).

HOME & LAW PUBLISHING has appointed Mr Tony Craddock as new business director. He was business development

managing director, and Mr Vic
Crayford joins the board of the
new company.

**

P&O EUROPEAN FERRIES

Mr John Sawyer has been
made managing director of
COBURN OPTICAL INDUSTRIES (UK), Andover, part of
Pilkington Visioncare.

Mr Andrew Evers has been appointed commercial director of WATERLOW PETTY BUSI-NESS FORMS, Leeds, a BPCC subsidiary. He was commercial manager.

ARTS

Carte Museus et Monuments, sold in museums and Metro stations, enables visitors to avoid quetes at

comments in the statement of the stateme

Grand Palais. Le Japonisme. 400
exhibits bear witness to the enthusiasm which swept the Western art
world for all things Japanese in the
second half of the 18th century. Monet
decorated his house – even his doors
– in Giverny with Japanese prints
and built a Japanese bridge in its
gardens. Van Gogh collected cheap
Japanese woodcuts and represented
them to his paintings. Closed Tue.
(cl.58.09.21) Ends Angust 15.
Centre Georges Pougudon. The Fifties, taking over Besubourg for three
months from the ground floor
upwards. The postwar creative dynamism of the Fifthes is represented
by cars, condes music, cinema, literature, influstrial creation and – on
the lifth floor – by visual art. The
great figures of Mainsse and Pleaseo
open the exhibition with works in
black and white; monochromes by
Yves Klein and Montana close it.
There are statues by Gioconetto,
mobiles by Calder, and lyrical abstraction by Hartung and De Kooning.
While contrasting the School of Paris
with the School of New York, the
exhibition equally draws attention
to some of their nextiled devolop-

exhibition equally draws attention to some of their perallel develop-ments. (42.77.12.33). Closed Tue. Ends

Musee d'Orsay. Two exhibitions crie-

Musée d'Orsey. Two exhibitions cele-brate, side by side, the golden age of photography. One covers the period from 1889 to 1915 with 200 photo-graphs and names like Fells; Nedar, Engene Atget, Lewis Carroll and Pierre Bonnard. The other pays hom-age to Gastave le Gray (1823-1882), whose visionary representations of



MUSIC

London BBC Symphony Orchestra, conducted by Lottar Zagrosek, with Ann Murray and Elizabeth Laurance, mezza-sopra-nos, Schoenberg, Debussy, Michael Finnissy and Scriabin, Royal Albert

Finnissy and Scriabin. Royal Aftert Hall (Tue). (598 2012). BBC Weish Symphony Orchestra, conducted by Bryden Thomson. with Jean-Philippe Collard, piano. Proko-fley, Tchaikovsky, Holst and Walton arr. Christopher Palmer. Royal Albert Hall (Wed). Lundon Handel Choir and Orchestra, conducted by Denny. Parlow with conducted by Denys Darlow, with soloists including Gillian Fisher. Emma Kirkby. Margaret Cable and Michael George. Handel L'Allegro, il Pensoroso ed il Moderato. Royal

Llonel Rogg, Organ, Bach, Frescob-aldi, Messiaen, De Grigny, Lionel Rogg, Saint-Germain-des-Près church (Mon 8.30 pm). Quatnor Stamicz, Mozart, Janacek,

THEATRE London

Too Clever By Half (Old Vic). A fizzing Gogolian production by Richard Jones of Ostrovsky's Dury of a Scoundrel in an old Rodney Ackland version, with remarkable Expressionversion, with remarkable Expression is designs by Richard Hudson and a brilliant central performance by

reassons: Theatre farewell productions return to the Cottesloe for July before opening at the Olivier Theatre in August. Michael Bryant's tetchy Prospero. Geraldine James's adventurous imogen and Tony Havearth's supers. National Theatre farewell production imogen and Tony Haygarth's sweaty Caliban are the pick of some uneven

performances, 1928 2252, credit cards 379 4440). The Changeling (Lyttelton), National Theatre director-designate Richard
Byre pitches in with an exotic transposition of Middleton and Rowley
to a Goyaesque 19th century Spanish
slave colony. Miranda Richardson
and the black De Flores of George
Harris play second fiddle to William
Dudley's designs. (928-2252, credit
cards 379 4444).

New Issue

Dvorak, Auditorium des Halles (Tue 7 pm). Pro Cantione Antiqua. De Lassus, Palestrina. Saint-Severin church (Wed

8.30 pin).
Camerata de Versailles, conducted Conserate de Versailles, conducted by Amaury de Closel, with Daniel Bourgue (horn) and Christian Debrus (piano). Haydn. Auditorium des Halles (Thur 6.30 pm).

All the above are part of the Festival Estival (48.04.98.01; answering machine m English around the clock: 47.20.88.98).

Amsterdam

The National Youth Orchestra of Great Britain. conducted by Christo-pher Seaman. Dukas. Elgar. Stravin-sky. Concertgebouw (Wed). (718 345). William and Mary candlelight con-certs. The Gabrieli Consort under cers, The content content Paul McCreesh, with a programme of Turner, Humfrey, Blow, Purcell (Mon), Christ Chorch Cathedral Choir, conducted by Stephen Darlington, with Simon Lawford (organ), Purcell (Thur), Concertgebouw, Nieuwe Kerk (Dem Square).

New York

Mew York

Mosaly Mozart Pestival. Emerson
String Quartet, plus Heinz Hollinger
foboe). Lilian Kallir (piano), playing
Haydn, Mozart. Reicha, Beethoven
(Mon.) Mosaly Mozart Festival Orches
tra, with Gerard Schwarz conducting,
Jean-Pierre Rampal (flute) and Stephen Hough (piano). Prokoflev, Mozart
Hummel (Tue, Wed). Shlomo Mintz
(violin). Pinchas Zukarman (viola).
Ralph Kirshbaum ("cello) and Yefim
Bronfman piano: Mozart. Beethoven
(Thur). Avery Fisher Hall, Lincoln
Center (874-2424).

The Common Pursuit (Phoenix). Second London chance for flawed Simon Gray comedy about Cambridge graduales in love and publishing Take-over cast includes James Wilby and Patrick Barlow. (836 2294, credit cards 240

ing. (379 5107).
South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the bartional Emile Belcourt out of the partional Emile Belcourt out of her hair, (308 \$589). The Phantom of the Opera (Her Majes-ty's). Spectacular, amotionally nour-ishing new musical by Andrew Lloyd Webber, (839 2244, credit cards 379

isning new musical by Arman 199
6131,240 7200.
Follies (Shaflesbury), Stunning
revival, directed by Mike Ockrent,
of Sondheim's 1971 musical in which
poisoned marriages nearly undermine
an old hurlesque reunion in a doomed
theatre, 1379 5399.
Bapgood (Aldwych), New Tom Stoppard mixes espionage, romance and
bigher physics, Felicity Kendal is
the eponymous totelligence agent.
Roger Rees and Nigel Hawthorne

music of the 1940s. Free concert at IBM Atrium, 56th & Madison (Wed 12.30 mat).

Washington

Wolf Trap Pestival, Popular Music Concerts this week include The Temp-tations and The Ojays (Tue); The Moody Blues (Wed: Jean-Lue Pomy and The Yellow Jackets (Thur), (432)

Chicago Ravinia Festival, Chicago Chamber Musicians, with an all Beethoven

programme (Tue). Chicago Symphony, conducted by David Zinnan, with Cho-Leang Lin (violin): Brahms, Dvo-rak (Thur). (726 4842). Tokyo

Hiroko Nakamura (piano), NHK Symphony Orchestra, conducted by Yuzo Toyama, Beethoven, NHK Hall, Shibuya (Mon). (483 1781). Kelemetti Institute Chamber Choir. Sibelius, Messiaan. Suntory Hall

EXHIBITIONS London

Engly Years 1839-72. A concentrated and illuminating study of the formative period of one of the greatest artists of the 18th century and one of the seminal fluures of the modern movement. Although he came to greatness in his middle and later years, his early period, far from being inconsiderable as had been generally supposed, is now revealed in all its complexity and contradictory quality. Ends August 21.

in elegant support. (836 6404, credit cards 379 6233).

Netherlands

Amsterdam, Staddschouwburg. The English-Speaking Theatre of Amsterdam continues its 10th anniversary summer season with two productions James Saunders' Next Time I'll Sing to You is centred around the Essex hermit Alexander James Mason (mot Sun or Mon). Agnes of God. by John Pielmeler, directed by Bryce Pederson has tryouts on Tue, Wed; first night Thur. (24 23 11).

New York

All these securities having been sold, this announcement appears as a matter of record only.

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Cata (Winter Garden). Still a self-out, Trevor Num's production of T.S. Ellot's children's poetry set to music is visually startling and choreographi is visually startling and choreographi-cally feline. (238 6252).

A Charus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical gover with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Les Misérahles (Broadway). Led by Colm Wilkinson, repeating his West

The Boyal Academy Summer Exhibition. The 220th Summer Exhibition in an unbroken sequence, and still the largest open exhibition of current painting, scaleture, prints and architecture in the world. With 1.251 exhibits, the show is a little smaller than usual, but as dense and bisarre as over with many expel thiosy in he not, the show is a little smaller than usual, but as dense and bisarre as ever with many good things to be discovered, a gratifyingly large number supplied by the Academicians themselves. Daily until August 7. The Hayward Gallery, (Two exhibitions). Anapy Penguins is a facetinating study of a group of young painters active in Melbourne during and Just after the Second World War. Sydney Nolan, Arthur Boyd, John Perseval and Albert Tucket are all shown in impressive deeth. Also: paintings from the Phillips Collection in Washington, its scope extends from the 16th century to the present day, from El Greto, through Goya and Ingres to Francis Bacon; the collection is still not closed. Its great strength is nevertheless in Impressionism and Poet-Impressionism — Renot and Cetame, Braque and Picesto, Bon, and and Matisse. Both shows run nard and Matisse. Both shows run

nard and Metisse. Both shows run until August 14. British Museum. Ukiyoe — Images of Unknown Japan. This large exhibition of exquisite quality brings to us, through the work of the greatest masters of the wood-block print, the magleal "Floating World" of pleasure and the senses that was the city of Edo (modern Tokyo) in the time of the Shoguns — from the 1808 antil the 1808, when Japan was closed to the outside world. Until August 14.

14.
National Portrait Gellery, Paolozzi
Portraits, A small but intriguing show
of a body of recent work on a subject
that has fascinated the Scottish sculptor, Eduardo Paolozzi, throughout
his long international career. Until

Washington

The Search for Signs of Intelligent Life to the Universe (Eisenhower). Lify Tomlin repeats her award win-

ming solo performance of the crazy people who inhabit her fumy and strange imagination. One major segment asplores the women's movemen over the past decade. Ends Ang?. 254 3570).

July, 1988

End role as Jean Valjean, the magnifi-cent spectacle of Victor Hugo's majes-tic sweep of history and pathos brings to Breadway lessons to pageantry and drama. (238 6200). Startight Express (Gerstwin). Those who saw the original at the Victoria in London will barely recognise its US incurnation: the staturs do mot have to go round the whole theatre had do got good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up. Silly Piol. (386 6510). Me and My Girl (Marquist. Even if the plot turns on innic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leaden-ness to a stage full of characters. It has nevertheless proved to be a dura-ble Broadway hit. (647 0033).

Chicago

Pal Josy (Goodman). Set to Chicago in the 1940s, this Rodgers and Hart classic, directed by Robert Falls, fol-lows to haunting melodies the esca-pades of a classic heel caught between the one who loves him and the rich

Tokyo
Comet Messenger: Slegified (Parthenon open air theatre. Tama).
Described as a "kinetic theatricat lantasy on the evolution of man and his dream of flight," this production by Japan's liveliest experimental group. Yume no Yuminaha, returns to Tokyo following performances at the first New York International Festival of the Arts. Based in part on Wagner's Ring cycle, the play features three sisters called Val. Ky and Rie—as well as Galileo. Tom Sawyer.
Nostradamus, a coelocanth and God. A commentary in English, at the performances on Aug 1-3, is not likely to make the plot any clearer; (496)

Les Misérables (Kennedy Center Opera House). The touring company of the international hit of last season hrings to Washington the historical sweep of Victor Hugo, set to music and an mistrent contemporary beat. Ends Oct 15. (254 3770).

Takigi Nob (Hie Jinja), Japan's ancient and esoteric theatrical art form takes to the open air each sum-mer, with special performances by the sea and the skies and poetical partraits combined with the perfection of his craits manship to keep photography in the domain of art - his lifetong ambition. (45.49.45.10, Both exhibitons closed Mon. Ends Aug 14. Institut du Monde Arabe. Holy Places in Saudi Arabia. Magnificant erchitectural models of the Rasha in Mecca and its black brocade veil with verses from the Koran embroidared in gold, and of the Prophet's great mosque to Medina, provide the non-Moslem with a realistic image of the shrines of Islamic pilgrimage, to which he or she has normally no access. Manuscripts, works by the traveller Richard Burton and 17th century Turkish ceramics complete the exhibition.
23 Quzi Saint-Bernard (46.34.25.35). 1 pm till 8 pm, closed Mon. Ends Sept 18.

Netherlands

Amsterdam, Tropennuseum. The arts and crafts of Indonesia, Illustrated with more than 500 objects in bronze, bamboo, excities and precious metals spanning 2,000 years of cultural history. Ends August 21.

West Germany

Cologne. Romisch-Germanisches Museum. Caesar's Glass. This exhibi-Museum. Ceesar's Glass. This exhibition is the most important display of Roman glass ever staged, it covers the period from Cuesar to Justinian, from the first century BC to the 6th century AD. The 16th pieces are mainly goods from everyday life. The show is a Joint project between the Corning Museum of Glass. New York, the British Museum, London, and the Romisch-Germanisches Museum in Cologne. Until August 28.

Munchen, Haus der Kunst, Prinzregentstr. 5th Major Munich exhibition, which provides a broad view of the

this performance at a popular shrine in Alcasaka. Thursday only. (434 0017). Yerma (Ghua Saison Theatre). Nuria Espert in Federico Garcia Lorca's poetic tragedy of a woman cursed by infertility. Victor Garcia's famous production. with its giant trampoline suggesting a womb, made a huge impression more than a decade ago, but might now seen somewhat dated. However. Espert is undoubtedly one of the world's greatest actresses. (In Spanish). From Thur until August 11. (835 6555).

Spanish). From Thur until August 11. (535 6555). Kabuki (Kabuki-za). The kabuki thea-re's greatest showman. Ichikawa Ennosuke, stars to a complete version Kapolic (Kapolic-2a). The gamint inserire's greatest showman, Ichikawa Ennosuka, stars to a complete version of one of the most famous plays in the kabuki reperioire. Yoshitsame Sembonzakura (The Thousand Cherry Trees). The performance is in two parts, at Mam and 4pin, but the play is little more than a series of loosely linked episodes. Act VII features Ennosuke's portrayal of the fox. Tadaonbu, with its manical quick changes, serobatics, and a climacite flying exit. Ends July 27, (34) 3131). Opera-za no Kaitin, better known as The Phantom of the Opera (Massei Theatre), Japan's leading musical company. Shird, acquils liself well in what is a virtual carbon copy of the Loodon original. The Japanese translation is often awkward, but Andrew Lloyd-Webber's gift for musical pastiche, Herold Prime's romantically evocative staging and Maria. cally evocative staging and Maria Bjornson's sumning sets and con-tumes make for an enjoyable evening

tumes means (503 mll), Les Miserables (Imperial Theotre). Les Miseranus purities adaptation or This stirring musical adaptation or Victor Hugo's novel of the Paris barricedes has returned to Tokyo for another four-month run. (20) 7777).

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FINANCIAL TIMES

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9831.

West German cultural scene. There are about 640 works, paintings, sraphies and plastics from 470 different artists. Among them are more than 100 women. Twenty-two weeks by the Austrian artist Alfred-Iridicks are the highlight of the schibition. The snow is organised by those group of artists. Ends Sept 11.

Venice, Palazzo Grazzi. The Phoeniciana. The fourth major exhibition at Flat's imposing art centre on the Grand Carel sitemps to give a complete picture of this extraordinary people, who dominand trade in the Mediterranean for over 1,000 years before their capital, Carthage, was finally destroyed by the Romans in 168 BC. The exhibition has been given a highly theatrical procentation by the architect Gas Aulanti. Sarcophaghi project at odd angles from a pile of pink sand on the ground floor of the Palazzo; in an upstains room, model ships siand immobile in a rippling artificial lake, and a large polystyrene wave sugnifs a Phoenician wreck. Many of the L200 objects displayed (gold and silver jewellery, yatues and reliefs in termicotta, bronze and ivory) are waterordinarily beautiful and the 150 page calalogue, published by Bompiani, is excellent. Until Nov 6.

Switzerland

Switzertand
Martiguy. The Ginneich Foundation
is showing the second part of treasures on ions from the Sac Paulo
Museum, Entried From Manet to
Pleases, it is especially rich in
Renolrs, from society portains and
little girls to frothy lace and pink
and blue suth, to a fleshy mode. Van
Gogh, too, is well represented with
his famous Ariestenne and landscapes
with tormanted trees. There is
Césame's partrait of his wife, a Tahiti
scene by Ganguin, early Pleasess
and Manet's Marie Lefebyre, riding
side saddle all clad in black and
looking as sainctive as Bomusrd's
appealing node or Degas' ballet dancers, (20973), Ends Nov 6. appealing nude or Degas' ers. (23978). Ends Nov 6.

ViennaNew York American Cruft Museum. An ambi-nous show that traces the history of American architecture back to the turn of the contury and emphasises the work of artists like Tiriany. Lawrie and Louise Nevelson who were commissioned in add art to the

OPERA AND BALLET London

Lenbarned State Kirov Ballet moves in the Business Design Centre in Islington. Not to be missed. Royal Opera House, Coveni Garden. Australian Ballet season continues. Coliseum. Dance Theatre of Harlem. Royal Featival Hall. London Festival Ballet in Swan Lake.

Picture & Caracalla, Daniel Gran conducting Aida, with flom Tokody afternating Aida, with flom Tokody afternating with Aprile Millo in the title role, Mirna Pecile (and Braina Bagiloni) as Amneris, and Chiseppe Giacomini and Nicola Martinecz afternating in the part of Ramades. La Fanciulla del West conducted by Prichas Szeinberg with Glovanna Casolia as Mirnda, Silvano Carroli and Giovanni de Angelis afternating as Jack Ranca. Aspo Giselle by Glovanni and Julos Perrot. Conducted by Alberto Ventura. (35.17.55).

Trieste

Testro Verdi. The Merry Widow, conducted by Rudolf Bibl and produced by Gino Landi with Luciana Serra, Daniels Mazzucato, and Max Rene

Pierpool Morgan Library. Over 350 them from the life and set of Sentric Poller show the evolution of the artist and her work. Included not the life-trangl store, discovered only morths ago, in Noel Moore that became the basis of Peter Rabbit and the entire determinent of the sentre of the sentential from sequence of 22 waterpolicus from The Tallor of Cloudsteer, lend by the

Chicago

Art Institute. Photographs by Josef
Sudet. Using his native Prague as
the inclurated, this awart partie
photographer. who died in 1911, ceptured the lyrical quality of the Casch
prople and the country's besettful
landscapes. Entir Sept S.
Art Institute. More them 69 Dutch
and ylemish 17th contury masterpleos from the Hermitage in Leningrad kick off a collaborative effect
among several major American and
Soviet museums with works by Remhermit, Rubens. Entis Sept 18.

Machington
National Gallery, More than 60 manterworks, from a superb leth-lith
century collection of Munich's Alte
Pinakothek, include paintings by
Rubons, Rembrand, Tulas, Et Greco
and Van Dyck Rode Sept 5.
National Gallery (East Wing). To
mark the 350th anniversary of the
first Swedish colony in North America, the exhibition covers four Swedish monarchies in the 16th and 17th
centuries and shows Sweden as a
respisacent and aggressive world
power through objects and 100 paintings on loan from the Royal Treasury,
the National Moseum and the royal
collections. Ends Sept 5.

Tokyo

Tokyo
Suntary Museum, Chimee glassward
of the Qin Dynasty (1644-1911) from
the collection of American Desiresspen Robert H. Clague. The works
range from simple inceints burners,
howks and gourd-chapset vasts in
transleavent coloured glass to elaborate showpieces imitating lado or
purcelain that make virtuoso use
of techniques to which Chimese craftsman were particularly skilled.
Glosed Mondays. Ends-August 28.

Japan Folkeraft Museum (Nihom
hingelism). Komaba. Crafts from
hingelism). Komaba. Crafts from
hingelism). Komaba. Crafts from
hodis. The museum is in an old Japanese farmhouse building which
accords perfectly with the unselfoorscious beauty of the objects. Closed
Mondays. Ends September 25.

La Muschere, conducted by Gianlingi Gelnetti, with Enzo Darz, Maris Jose Gallego, Angelo Romero and Gitseppe Sahbatini, designed by Maurimo Balo. New York

New York
State Theeser, Lincoln Center, New
York City Opera, The week features
the first performance of Lottl Masssourt's new production of H Barbiere
di Sivigita, conducted by Serghs Constestiona along with the season's new
production of Rigoletto, conducted
by Rito Boncompagni. (496 6800).
Alice Tully Hall, Lincoln Center.
Paul Krassner, Philip Glass, Allen
Glasberg, Karen Finley and Frank
Maya, The performers, noet and composer appear as part of the Serious
Fun Festival. (Too), (82:1911).
Lincoln Center, Out-of-Doors Festival.
The month-long fee performances
in the plazar and Damrusch Park
begin with the Faul Taylor Dance
Company. (Wed., Thur 8.16), (877.2011).

Tokyo Kun't Hoken Hall, Gotanda, World Ballet Fastival. A hiemnial jamborea featuring some of the world's top duncers: Bujones, Cregan, Dupond, Alonso, Evdoldmeya, Glasco etc. From Thursday, (725 8888),

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FINANCIAL TIMES

ARTS

All innocence abroad

The Tempest

ROYAL SHAKESPEARE THEATRE, STRATFORD-UPON-AVON

Absent for too long from the and down the vocal register, so British stage, John Wood made for the dark backward and British stage, John Wood made a triumphant return on Wednesday in the main house at Stratford-upon-Avon as a spell-hinding Prospero in Nicholas Hytner's superb revival for the Royal Shakespeare Company. Confession time. I had to

heave my heart into my mouth to comment on Peter Hall's recent National revival. Michael Bryant gave us a nut-brown swarthy mariner with a few grudges to sort out while operating off a short fuse and surrounded by stage effects borrowed from tatty re-runs of Renaissance

Wood's Prospero, the best I have seen, is a demented stage manager on a theatrical island suspended between smoulder-

suspended between smouldering rage at his usurpation and unbrided giee at his alternative ethereal power.

His condition is transcendent, where Bryant's was doggedly earthbound. Most of the characters in this play are displaced creatures but only the displaced creatures around into Wood's Prospero expands into the void. The others are trapped, swirling figures in a mist that stilles aspiration and low ambition. The cerulean haze of David Fielding's cycloramic design is a theatrical metaphor in Itself. The storm disgorges the Neapolitan court into Prospero's cell, down a

Wood stands stock still by his staff on a tilted white disc. No qualms about playing up abysm of time we plummet several throsty fathoms deep. The dangerous scene with Miranda (Melanie Thaw) is more a re-run of his agony, a condensation of long-endured grief, than tiresome exposition.

What I have never experienced with Prospero before is an exact alignment of his incontinent temperamen-talism with that of a born party-thrower. He loves to spring surprises on people, and Hytner responds with a series of stunning second half The scalloped surround reveals blue-masked mimes

bearing reversible plastic sea-food displays for the banquet, the "Thought is free" catch is given a wonderful descant by Trinculo and spirited off in a whistle by Duncan Bell's admirably anti-fey but gorgeous Ariel (much better than the Ariel (much better than the NT's - and he can sing prop-erly); the Juno masque is a rainbow-encased Martha Gra-hame ballet with eloquently hame ballet with eloquently childish mirror images, music of anthemic dissonance and a tantalising 3-D vista of white-suited denizens and cornfield plenty flecked with poppies.

All credit here to Martin Duncan's masques and Jeremy Sams's music. The setting of "Come unto these yellow sands" is particularly fine and Tippetty. I've been working round to this. John Wood does

look increasingly and uncom-monly like Michael Tippett. I

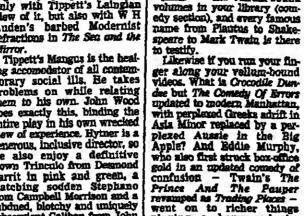
cannot abide The Knot Gorden nor was I much impressed by Hytner's Covent Garden revival earlier this year. But perhaps Hytner is here bringing the play up to date not only with Tippett's Laingian view of it, but also with W H Auden's barbed Modernist refractions in The Sea and the Mirror.

ing accomedator of all con porary social ills. He takes problems on while relating them to his own John Wood does exactly this, binding the entire play in his own wrecked view of experience. Hytner is a generous, inclusive director, so we also enjoy a definitive clown Trinculo from Desmond Barrit in pink and green, a matching sodden Stephano from Campbell Morrison and a subdued, blotchy and uniquely subservient Caliban from John

Kane.

The whole play is released from RSC antiquarianism and remoulded in a new style from elsewhere, from the ENO, the ICA, the Royal Exchange and Dance Umbrella. But, finally, it is engagement by a magnificant Dance Umbrella. But, finally, it is governed by a magnificent performance that restores that prickling sensation of joy and sudden recognition at the edge of your eyes and confirms there is a future for late, great Shakespeare beyond the imaginings of Peter Hall, Trevor Nunn, Terry Hands and the whole Establishment classical theatre pack of them. theatre pack of them.

Michael Coveney



to testify.

Likewise if you run your finger along your veilum-bound videos. What is Grocodile Dundees What is Grocodile Dundee but The Comeny Of Errors updated to modern Manhattan, with perplexed Greeks adrift in Asia Minor replaced by a perplexed Aussie in the Big Apple? And Eddie Murphy, who also first struck boxoffice gold in an updated comedy of confusion — Twain's The Prince And The Pauper revamped as Trading Places — went on to richer things playing a happy-go-lucky Detroit cop adrift in the sleek corruption of Beverly Hills.

New Murphy, directed again by Truding Places John Landis, is at it once more. Twinkling 100-watt eyes and flashing thousand-dollar dental work — on a dark night he could be shot by Paul Hogan in mistake for an amphibian — he is "Prince Akeem." This happy young African comes to New York to find a bride. For in his native Zamunda he is tired — who would not be? — of boundless huxury, gorgeous banqueta and beantiful Zamundana catering to his every whim.

CINEMA

comedy is inno-cence abroad Rim your finger along the vellum-bound

less lixury, gorgeous hanquets and beautiful Zamundans catering to his every whim. Back there in the royal palace, his father James Earl Jones sits at one end of the 40-metre dining-table, nunching grapes and reading the FT (sic). And Murphy sits at the other end, communicating by intercom.

Offered an arranged marriage with a lovely, pliant bride, our Prince finally flips his lid and splits to New York. Soon he is roughing it incognitio in Queens, romancing the humble heiress to a one-branch hamburger chain (Shari Headley) and proving the old Hollywood saw that poverty is next to goddiness. If you find this message acceptable from the mouth of the best-paid movie star in America, with no star in America, with no known record of roughing it incognito anywhere, you may enjoy Coming To America. Its best moments are those that mine the "innocence shroad" know I am royalty," whispers Murphy to his manservant

(Arsenio Hall) as he walks through JFK airport dressed inconspictionsly in an over-the shoulder leopard pelt com-plets with head. And Akeem never does get the hang of a certain 4-letter word. When neighbours disturbed by his midnight singing yell "Fyou," be thinks it is a compliment or greeting. Leaning out
of the window, he happily Shouts, "And f- you too."
But felicities are intermit-tent. The movie never gets its plot into proper gear, and once the romance gets going, with

COMING TO AMERICA (15) Plaza, Cannons Oxford Street and Shaftesbury Avenue VICE VERSA (PG) Odeon Leicester Square

its inevitable poor-is-beautiful pay-off, we know we are done for. Worse still Murphy seems to take special care, as in the Beverly Hill Cop films, that there is no comic competition in the is no control of the second time. in the supporting cast. Where heyday Rollywood comedies sectied and bubbled with good character actors — remember the Franklin Pangborns, S.Z. Zakalls and Frank Morgans? (no, of course not, you are far too young) — Murphy come-dies die whenever Murphy is off-screen and frequently die even when he is on it.

Vice Versu is a horse of the same colour. That is, it looks promising for about 500 metres then goes all pale-green and groggy-legged. By the home streight, it is signalling for a streicher.

Brian Gilbert directed this New York-set movie and Ian La Frensis and Dick Clement of Porridge wrote the screen-play. The film — a product of Columbia under Putinam — borrows its title and plot-idea from the Victorian doorstopper by F. E. Anstey about a father changing places with his schoolboy son. (Why is this debt not acknowledged in the credits?) Judge Reinhold, Eddie Murphy's Reverly Hills Cop aidekick, plays the Dad who turns into his 11-year-old son

(Fred Savage), while Master Savage turns into him, all courtesy of a wish-granting Oriental skull. So: Son's mind is in Dad's body, and Dad's mind is in Sonny's. All clear? Here too innocence is abroad: as Dad's new-found childlikeness charms and/or startles his friends and department-store colleagues. It charms and/or startles us less.
Reinhold's antics tend to
overdo the gape-mouthed
grins, sturred consonants and
ill-coordinated limbs. (There is
surely a difference between heing II years old and being drunk?) The son's new-found sophistication is funnier, as he sophistication is minner, as me dispenses snap answers and perfect polysyllables to his astounded teacher. But even here a alim loke is tortured into longevity. By movie's end one is begging father and son to get the skull out again and

A MAN IN LOVE (18) Chelses Cinema, Cannons Piccadilly and Tottenham Court Road OUT OF ORDER (15) Metro

Diane Kurys's A Man In Love belongs to that unique class of movie, the Euro-American co-production. In these films too we always find an innocent abroad. He or she is the movabroad. He or she is the movle's American star, who has
been lured across the Atlantic
to burnish his or her reputation by appearing in an "art
movie." An art movie — or at
any rate an art movie like A
Mon. in Love — is a film in
which characters exchange
deep, thoughtful, literate dialogue while looking nervously
down to see if their subtitles
are in place.

me normal identities.

are in piace. In such films a doomed In such films a doomed romance is essential. Here it is between American film star Steve Elliott (played by American film star Peter Coyote) and aspiring British actress Jane (played by aspiring British actress Greta, Scacchi). Between shooting sessions on their art movie within the arthurd of tailon. their art-movie within the artmovie — a bio-pic of Italian
writer Cesare Pavese — they
love, laugh, quarrel, weep and
exchange profundities. And
they fend off the cruel outside
world in the shape of Mr Cs
jeakous wife Jamie Lee Curtis.
She is keeping Alitalia in profit
single-handed by her constant
jettings in and out of the plot.
These shenanigans are
played for more than they are
worth by Mr Coyote, who looks
like a blasted sapling — dark,
charred and slim — and triks
like Henry Fonda on uppers.



Trying to look inconspicuous: Eddie Murphy in "Coming to America"

Elsewhere there is little for our comfort. Miss Scaechi bares her breasts a few times—there is always something in a dull summer—and she keeps commuting to France to attend her dying Italian mother Claudia Cardinale and her drunisan American inther John Berry, a former London "TV correspondent" (whatever that is).

This kind of movie is cellution.

This kind of movie is cellu-loid's answer to Esperanto. Struggling for universal reso-nance and acrombling together incompatible ingredients, it produces a common language. chema that no one wants to speak or read. It is all a great shame: for his Runys last made the sharper, more individual Comp De Fondre, a film that had the universality of total particularity; her own life, her own warming and warring

A weekend at Gatwick might be more enjoyable than the week's final two films. Out Of Order, directed by Johnnie Turnes for the Birmingham Film and Video Workshop, starts promisingly. Billy (Peta Lee-Wilson) has look no hunds telepathic powers enabling him to dial numbers, receive calls and summon up his toterlocus. and summon up his toteriocu-tor in bubble-shaped special effects. (Has he thought of a

career designing Mercury

phone booths?)

However, this plot about communication disorder is only one among many less fetching plots. Around Billy mass a gaggle of characters representing "young working-class people living in Thatcher's 80s" (says the discotor). They include two kooky girl DJs, a doubtracked police recruit and the usual standar-dised horde of post-Punk rebels : phone booths?) recruit and the main standar-dised hords of post-Funk rebels and square-brained authority figures: ignorant armies clash-ing by the Thatcherite night. The only consolation in what becomes a torrent of radical cliches is that the video photography is often too poor to discern them.

discern them.
The photography is better in fran's The Runner, directed by Amir Naderi. But no smount of gilded sunsets and silhouetted freighters can save this tale of an urchin boy struggling to survive in a Gulf port, indeed they point up the movie's lac-quered rhetoric. The hero goes quered rhetoric. The hero goes from extremity to extremity— robbery, begging, shoe-chining, scavenging—without ever-los-ing the bloom of Technicolor health and without our ever-losing the sense that the impressionable director has just stumbled on a cache of Vittorio De Sica films.

Nigel Andrews

James Purefoy, John Wood and Melanie Thaw

Nini's Story__

Vasco Pratolini is perhaps best first few minutes. Nini is soon known for his vignettes of sobbing and screaming, and for florentine working-class life. In his novel Lo scialo he broad-ened his canvas to take in the bourgeoisie, and from the book's survey of Italian life during the advent of fascism comes this dramatised episode of the self-contained storia di

Nini, the emotional diary of a wife who is sexually repelled by her husband and who finds solace in the arms of servant The production arrives at Hammersmith's Riverside Studies as part of the Italian Conputterfly's dance theatre has already been seen; a Dario Fo exhibition, The Theatre of the Eye, continues until August 13.

The Tantra company's hour would overpower the monologue La storia discussion. long monologue La storia di Nini piays until July 30.

The actress Pameia Villoresi perate, with throwaway thun-rises to the challenge posed by a protagonist who shoots her Her vocal range takes in a a protagonist who shoots her Her vocal range takes in a temperamental bolt within the gruffly infatuated lower-class

RIVERSIDE STUDIOS, HASHERSMITH tearful, cold, bitter, ironic and tender. She shrieks, laughs, slaps herself, has hysterica. Above all, being Italian, she talks. And talks and talks It's interesting to think of what an English version would

be like: full of the Pinteresque stiences and pregnant pauses which uncomprehending Italians find less evocative than indicative of physical deformity (no wonder Visconti prac-tically turned Pinter's Old Times into a musical). Possibly the only British actress up to whereas Miss Villoresi has the Latin gift of being casually des-

would be the envy of every D'Oyly Carte patterer as the unworthy object of the hero-ine's infatuation. She manages a quiet intensity for tentative sexual attraction and a tragic calm for the bloody climax, when we realise she is speak sing from beyond the grave.
Simply set against a white background with a folding chair and period radio, the piece is beautifully lit, presumably by Marco Sciaccaloga to whom the programme attri-butes "stage effects," at just an hour (not, as the Riverside management maintains, two hours) the performance is an

impressive display of tempera-ment allied to technique. Martin Hoyle

Purcell's King Arthur, Davies's Into the Labyrinth

like Henry Fonda on uppers.

Andrew Porter enjoys three days at the Ojai Music Festival in California

oid canard that the English are more class-obsessed than other races? and a (nearly identical) peasant mald, nervous of her mistrees's intentions. She chatters vacuously at a speed that would be also been reading.

From years I had been reading.

(pronounced O-Hi). The late Lawrence Morton — friend and champion of new music in Los Angeles — was long its artistic director. Street, Boules at a street would be also been reading. Lawrence moreon — mean and champion of new music in Los Angeles — was long its artistic director. Stravinsky, Boules, Messisen and Kurtág are among those associated with it. This year I was able to visit it.

Ojai is a small town Just one traffic light), founded in 1874, in a beautiful valley about 75 miles north-west of Los Angeles. The Shampri-La scenes of Los Horizon were filmed here. Orange groves strutch along the valley floor, The concerts take place in a city park — in a dell flanked by noble trees. Around the concert shell, younger California cake have grown up and have shaped themselves to it, as if in blessing. Thered rows of beaches hold about 900 people, with room for perhaps 300 more on a lawn behind them. There is electric amplification — as in all America's outdoor summer concert sites ica's outdoor summer concert attes -but it is skillfully and undisturbingly

employed.

It was a short, intense festival: five concerts in three halcyon days. (Also a production of Maxwell Davies's Cinderella, given thrice.) The music director

ia's regular early-music orchestra. McGegan its conductor, and the Ojsi Featival Chamber Orchestra, whose players are drawn from the Los Angeles
Philharmonic, the Los Angeles Chamber Orchestra, the Ventura Symphony,
and elsewhere. The California E A R
Unit, a modern music ensemble, played

tation of Purcell's King Arthur. Two stage productions of the opera are due in America next year in St Louis; and at the William and Mary Collège, in Williamsburg, to celebrate the tercente-nary of those monarche' accession. Modern taste favours presentations that do justice to Purcell by doing justice, also, to Dryden; a concert version whets the appetite for a production employing the combined prowess of singers, actors, dencers, and stage machinists.
McGegan, with the communicative joy
that fires all his performances, conducted Purcell's lively sequences of

numbers mystical, martial, loving,

ety of accents; silly ass posh for Arthur, parks for short-term profit, stage pleb for his Saton antagonists.

Nancy Armstrong – the "Purcell Prima" Mackie. He is bure and accomma of our day – sang the sopratio would like one day to hear roles with accuracy and brio, Paul Elliott, in the tenor roles, began blandly but warmed into enthusiasm.

The other music needs no detailed review, for it has been considered in these pages. But Davies's pleasing Obos Concerto and his Into the Labyrinth were new to America. They were conducted by the composer. The soloist in the first was Stephen Colburn, first obee of the Milwaukee Symphony, who soared through the high flights with poetic rapture, though his Scotch-map inflections were less than animated. (So are Issac Stern's in the Davies Violin Concerto. Both artists might study Patti's and Melba's lively way with suap rhythms in their recordings of "Comin' thro' the Rye.")

Max Loppert has written of the potency of into the Labyrinth. In Olai, where oil and sulphur have been found

teaque and strikingly powerful, and it makes a fine choice of

dramatic centate in all but name and a strongly character-

sed one at that, possibly tak-

ing Britten's Phaedra as its

model.

Like the best of these cauta-

tes, Cantigo says much in a short time. Matthews' musical

language may be rich and

seductive, as belits this story

of passion, but he can set a

second part, as the heroine

gazes out exiled and alone from her tower in Castile, paint exactly the right land-

age of mood with surprischange of mood with surpris-ing economy: the simple string harmonics at the start of the

Tyer years I had been reading. was Nicholas McGegan, and the comabout the Ojai Music Festival
(pronounced O-Hi). The late
awrence Morton — friend and chamharmonia Baroque, which is Californ—vided a linking test, delivered in a variGovernment eager to sell its national

The soloist, as before, was Neil Mackie. He is bure and accurate, but I would like one day to hear the piece more trenchantly delivered — and more trenchantly delivered — and perhaps with Scottish, rather than anglicized, pronunciation of George Mackey Brown's text.

The other Davies pieces heard at Ciai were Ave Maris Stella, the Purcell Fantasia and Pavans, and Orkney Wedding, McGegan conducted Handel, Rameau, the Soldier's Tale suite and Perushka.

Davies conducted an Eroica Symptony that it its clarity, structural

Symphony that in its clarity, structural mastery, contrapuntal vividness, and instrumental keenness proved engrossing: a composer's fresh, sure tribute to the great composition.

The latest collection of Andrew Porter's reviews and essays originally published in the New Yorker's entitled Musical Boents — A Chronicle, 1980-1983. It has recently been published by Grafton Books (217.95).

TODAY'S TELEVISION

The extent to which the left wing orthodoxies of the sixties still dominate television is indicated by the fact that today, when right wing political theories are so clearly pre-eminent in such an nazing number of countries, it comes as a great surprise programmes setting out deliberately to explore these feshionable ideas. It is, of course, a Channel 4 series: Right Talk (8.15). In ten 45-minute episodes eight people from the right hand side of the political spectrum discuss the social issues on the agenda. starting tonight from Mrs Thatcher's bit of rhetoric last year: "And who is society? There is no such thing. There are individual men and women and there are families."

ITV begins a sequence of live coverage of police work in London, New York and Sydney at 9.00 with the opening hour of 999 - Police International. There is another hour at 10.35 and then further programmes on Saturday and Sunday. The presenter is Nick Ross who will be stationed at Scotland Yard.

After the success of "Tutti Frutti" it would be rash to question the judgement of the drama department at BBC Scotland, and yet their new series beginning tonight, Playing For Real (9.30) does seem to have the most unpromising theme: table top

Christopher Dunkley

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Bournemouth Sinfonietta

In the solo dramatic cantatas that have been written from the 18th century on, we have been left a remarkable plainte gallery of trage heroners. To Handel's scorned Lucreria and the grand Cléopètre of Berlies individual imagination at there is now one more portrait to add: the 14th century Portu-guese noblewoman Incs de Cas

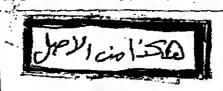
work. But everything here, too, is gratefully conceived for per-former and listener alike, with iro, who was murdered, but later exhaused by her lover so that her body, dressed in golden robes, could sit upon the throne at his side.

The picture is both groarching, ecstatic phrases (Nicholas Maw comes to mind at this point) giving some lovely opportunities to the soprano Jill Gomez, who com-missioned Cautigo stid was its inspired first performer. The work may not take important and it makes a fine choice of subject for a major new work entitled Cantiga by David Matthews, which had its first performance as the second première of this year's Prom season on Wednesday. The word "cantiga" means simply "song" in Spanish or Portuguese; but the work itself is a dramatic cantain in all but strides forward in terms of style, but it is thoroughly well crafted and deserves a warm following in future perfor-

In this, as in the rest of an enjoyable evening, the Bourne-mouth Sinfometta under their mouth Sindenetta under their Principal Conductor, Roger Norrington, were in refreshingly alert and sparkling form. The Albert Hall is not really the place for a small-scale, spruce and pointed account of Mozert's Symphony No 35 or the chamber-like intricacies of Strauss' Suite from Le Bourgeois gentilhomme, but with playing as deft as this nobody is likely to have complained. There is a lot of solo work in the Strauss, in particular, and the Sinfonietta's players did their audience proud. Small is

Richard Fairman

beautiful, even here.



FINANCIAL TIMES

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Friday July 29 1988

A test for Mr Clarke

IT IS FORTUNATE that Mr Kenneth Clarke, Britain's new Health Secretary, is a good communicator. He faces the daunting task of convincing Mrs Thatcher and the Conservative Party that the approach to health care pioneered by Aneurin Bevan and the Labour Party in 1948 is broadly valid in the 1980s. The British public, of course, needs no such convincing, despite the strains induced by underfunding, polls indicate remarkable support for the NHS.

The "wide-ranging" review of the NHS launched earlier

this year by Mrs Thatcher has been a source of wry amuse-ment among health care pro-fessionals. They knew all along that, once civil servants started to analyse the reform proposals of the thinktanks and to make international comparisons, the strengths of the preaent approach would become increasingly apparent. The NHS, while far from perfect, offers a more comprehensive and equitable service than is found in virtually any other country. Yet it is also extraordinarily cost-efficient: much less is spent on health care than in most other countries yet the improvement in life expectancy and other measures of general health have been as

An open door

These and other virtues have persuaded the bipartisan House of Commons Social Services Committee, which reported yesterday, to urge the Government not to cast aside the NHS's many strengths in a short-term effort to remedy some of its weaknesses. Given Mr Clarke's known scepticism about some of the more out-landish reform proposals, the committee may find itself

pushing on an open door.

A key test will be the view he takes of tax relief for private health insurance for the elderly. Advocates see this initially inexpensive subsidy as the thin end of a long wedge which could eventually lead to universal tax relief for health care. The Commons committee rightly opposes any extension of tax relief and points to the difficulties raised by fiscal subsidies elsewhere. It points out that the private health sector hardly needs a subsidy, having doubled in size since 1979. The

elderly would benefit far more from an improvement in NHS funding than from tax relief for services that have little relevance for them.

The committee makes short work of other proposed radical reforms. It says measures to allow the young and healthy to "opt out" of the NHS would be both expensive and impractical. It believes that the introduction of US-style Health Maintenance Organisations would cause immense organi-sational difficulties, serve the poor badly and not bring about the cost savings achieved in the US - because the NHS is already so much more efficient than American private medicine. The MPs are also careful not to endorse unthinkingly the fashionable concept of internal markets: the potential benefits from competition between districts, they argue, could be offset by high admin-istration costs and adverse effects on the less mobile and those on low incomes.

Prosaic matters

The message for Mr Clarke is to eschew quick fixes and grand organisational redesigns (of which the NHS has seen plenty) and concentrate on more prosaic matters, such as improving the effectiveness of ment, the flexibility of working practices, the quality of the information available for decision-takers, and the range of non-medical amenities offered to patients. The scope for action in each of these areas is immense. There is no reason why

those prepared to pay should not benefit from "extras" such as more privacy and better food. Much could be done to instil a less bureaucratic and more customer-orientated ethos. The paucity of information is alarming. Some 490 "performance indicators" have been introduced, yet nobody has much idea of the relative costs of different treatments or of their success rates. Consultants, with inflexible lifetime contracts, remain beyond the jurisdiction of district managers. There is little management training and nothing that remotely resembles an NHS corporate plan or statement of objectives. The time to think about wider reforms will be when these deficiencies have

Peace moves in Kampuchea

crisis ended in disagreement and without a communiqué yesterday. That is not to say they were a failure. It is remarkable that the first talks in a decade between the warring factions did not break down; nobody walked out. The talks are a vital precedent: a new round should be called as soon as there is a chance of

The problems are formidable: how to end the nine-year-old Soviet-backed Vietnamese occupation of Kampuchea; how to prevent the ruthless Khmer Rouge regime of Pol Pot from regaining power; how to secure a new government without a renewed ontbreak of civil war and and terror which might give the Vietnamese an excuse to return. Yet the forces pushing

towards a settlement are stronger than at any time since Pol Pot toppled the enfeebled Lon Nol administration in 1975 and instituted a reign of persistent terror which was terminated by the Vietnamese invasion on Christmas Day 1978.

Regional conflicts

Mr Mikhail Gorbachev, the Soviet leader, has made clear that the Viatnamese occupation of Kampuchea is high on the list of regional conflicts which he wants ended quickly as part of his policy of improv-ing relations with both the US and China; the Vietnamese, who receive around \$2bn a year in Soviet support for the occupation, have been told by Moscow to speed up the with-drawal and get all 140,000 troops out by the end of next year. China, on the other side, has made clear recently that its aupport for the Khmer Rouge is not unconditional. Senior Chinese officials have indicated privately that the Khmer Rouge probably should not form the next government.

The Vietnamese themselves

want to leave Kampuchea. They are anxious to end their international isolation and gain access to Western economic and development aid. They have lost 25,000 soldiers respective clients do not halt killed and have been unable to that momentum.

THE JAKARTA "cocktail vanquish the three-pronged kampuchean resistance forces, solution to the Kampuchean of which the Khmer Rouge are the most powerful.

The Jakarta talks first brought together Hun Sen's Phnom Penh regime and the three Kampuchean resistance groups. Later, the Vletnamese and Laotians joined in, together with representatives of the six states comprising the Association of South-east Asian Nations, which have a regional and economic interest in peace in Indo-China.

The key figure is Prince Norodom Sihanouk, the former Kampuchean monarch and head of state who heads one of the guerrilla groups. He remains the only credible personality with any chance of holding the warring factions of Kampuchea together.

Restraining factions

Prince Sihanouk withdrew. under pressure, his insistence on an international peace-keep-ing force to underpin any settlement. However, some form of interim peace-keeping force would seem to be essential if the various factions are to be restrained following a Vietnamese withdrawal. The fact that Prince Sihanouk has withdrawn his demand does not mean that it cannot be resur-

rected later.
The beadline news yesterday waa of recriminations, with each side blaming the other for blocking progress and prevent-ing the unity needed for a joint communique. But the more important news was that Hun Sen and Prince Sihanouk will meet again privately in Octo-ber and a working group representing all parties to the talks, including tha Asean atates. will examine key areas of dis-agreement and evaluate before the end of this year the usefulness of reconvening the full talks.

In short, the momentum is still towards a peaceful solution for the impoverished people of Kampuchea who have been battered almost continually since independence from France in 1954. The onus now is on China and the Soviet Union to ensure that their

The foreign face of perestroika

Quentin Peel reports on Moscow's changing attitude to external relations

than 1,000 top Soviet diplomats, ministers, key party officials and members of the military high command have been in conference at the Ministry of Foreign

Every Soviet ambassador was recalled to Moscow for the event, according to those in the know. Mr Eduard Shevardnadze, the Foreign Minister, presided, and the list of important guests included Marshal Sergei Akhromeyev, Chief of the Soviet General Staff, and Dr Gury Marchuk, president of the Soviet Academy of Sci-

The exercise was dedicated to a rethink of Soviet foreign policy, a sort of Communist Party conference for the foreign service. The aim, said the Soviet news agency, Tass, was "to make perestroika in diplomacy irre-

Glasnost has not gone so far that details of the debate have been made public. Yet the signs are that some very straight talking took place about the successes and, more notably, the failures of Soviet foreign policy. And Mr Shevardnadze certainly set the whole event off with a bang.

Gone were the slogans of support for liberation struggles. Even the class struggle itself was a victim of his onslaught. "Co-existence based on the principlea of non-aggression, respect for sovereignty and national independence, and non-interference in internal affairs must not be equated with class atruggle," he declared. "The struggle between the two systems is no longer the decisive fac-

He went further. Foreign policy was about economic development, he said, in a phrase which would have done credit to his rival Mr George Shultz, the US Secretary of State: it was about "the ability to advance people's welfare at a fast pace through the use of the latest achievements in science and engineering."

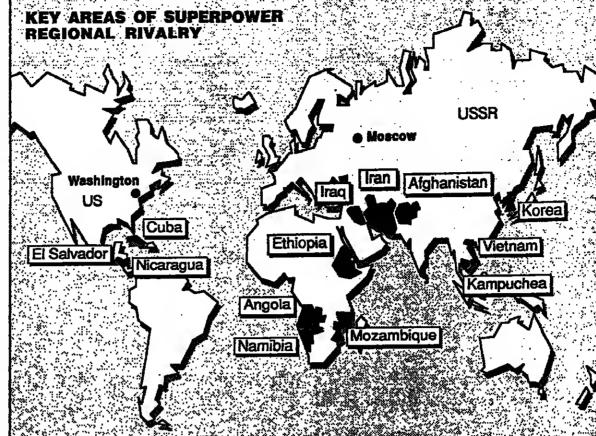
So what is happening in Moscow? The whole affair comes at a time when there seem to be moves towards peace all round the globe. Iran has finally sued for a ceasefire in the Gulf war. South Africa, Cuba and Angola are talking hard terms of military dis-engagement in sonthern Africa. And the combatants of Kampuchea have been in Indonesia making an effort to find an end to their appalling blood-

in Afghanistan, the Soviet Union's home-grown regional conflict, the withdrawal of Soviet troops continues apace, in spite of a steady flow of arms to the opposing guerrilla forces and growing indications that the Kabul regime is tottering. Soviet client states around the

world seem suddenly to be talking sweet reason. Even North Korea is making conciliatory noises towards its bitter rivals in Seoul.
It would be tempting to see the

hand of Moscow in it all, as the one common factor in the willingness to find political solutions. inevitably, reality seems to be more complex. It was just one day after Iran

announced its desire for a ceasefire in the Gulf that Mr Yuli Vorontsov, the Soviet Deputy Foreign Minister, arrived in Tehran for talks. "It was just bad luck for them he went there the day after," according to one West-ern diplomat. "They will still try and take the credit. But I am convinced they were just as surprised as every-one else. They have worked very hard on the Iranians, but that was because of Afghanistan, not the Gulf war."



As for Angola and Kampuchea: all the diplomatic leg-work for the former has been done by Dr Chester Crocker, the US Assistant Secretary of State for African Affairs, and for the latter by the foreign ministers of Asean (the Association of South-east Asian Nations). They have wheedled and cajoled the opposing parties to the negotiating table. Yet even if Mr Shevardnadze and

his colleagues cannot take credit for specific initiatives to solve the regional conflicts of the world (except Afghanistan), there is no doubt that the change of mood in Moscow has been a crucial contributory factor in creating a climate of negotiation.

In a brave attempt to gain some credit from the Afghan debacle - in itself the biggest foreign policy blun-der by the Soviet Union for decades — the Kremlin has always claimed it would set off a "chain reaction" similar negotiated deals, involving the combatants themselves, but underpin-ned where necessary by superpower guarantees. That is what seems to be happening. It is indeed fronic, and rather

impressive, that such a failure should somehow be turned into a success Yet that is exactly what Mr Mikhail Gorbachev seems to be attempting across the whole range of Soviet for-eign policy. He is seeking to turn what is little more than a policy of international retrenchment into a public relations exercise in peace-

In spite of the fact that President Andrei Gromyko, the personification of Soviet foreign policy as Foreign of Soviet foreign policy as Foreign Minister from 1957 to 1995, is still a member of the ruling Politburo, the period of his rule and the substance of his policy is now almost universally reviled. That was a clear message in Mr Shevardnadze's address this week. "We falled to use all the possibilities for prevention the american of the for preventing the emergence of the iron curtain, for lowering the level of

confrontation and curbing the arms race," he said. He went on to deflect the blame

slightly from his predeces regarded with a sort of sneaking admiration for his sheer staying power in the party, by pinning it rather on domestic policies. Indeed there is no doubt that it is the crisis at bome, the chronic stagnation of the Soviet economy which greeted Mr Gorbachev on his accession to the leadership, which has been the major factor behind rethinking policy abroad. It is the need to concentrate on domestic reforms, both economic and political, which has pushed the Soviet leadership down the path of reducing its direct involvement in international trouble spots.

The biggest challenge is not disengagement from Third World adventures, but promoting a new modus vivendi in Europe

The most obvious pressure came from the sheer level of military spending, put at somewhere between 15 and 20 per cent of national income. "One of the reasons the West imposed the arms race on us was to exhaust socialism economically," Mr Shevardnadze told his andience. Indeed some Soviet planners now seek to blame most of the failure of the Soviet economy on the level of military spending.

That is undoubtedly too simplistic.

Defence spending alone did not cause the rethink of foreign policy. Another factor was the extent to which the Soviet Union found itself supporting a whole range of economic disasters: Cuba and Vietnam both take millions of dollars a day in hidden subsidies. Mozambique and Ethiopia, not only impoverished but also drained by interminable civil wars, have proved

little less expensive.
The Soviet Union has found itself, in effect, providing a double subsidy for its international adventures: eco-nomic support for Cuba and Vietnam in the form of guaranteed purchases of their exports and added military support underpinning their involvement in Angola and Kampuchea

respectively.
Quite apart from the straight economic cost on a Soviet economy unable to pay its own way, there was a substantial diplomatic cost. Professor Vyacheslav Dashichev, of the Institute of Economics of the World Socialist System, blames in particular the failure of the Soviet leadership in the 1960s and 1970s to see a contradiction between their desire to exploit. Third World conflicts, and promote détente in Europe. "Take Angola," he said. "We prepared a paper for the central commit-tee (of the Communist Party) warning -

that it would disrupt all our relations with the US to get involved. But unfortunately our advice was not heard." The temptation to take advan-tage of the post-Vietnam syndrome in the US was simply too great for Mr Leonid Brezhnev and his colleagues. But it is Afghanistan that has been the higgest factor in the change of thinking. The failure of Soviet intervention in its own backyard called in question not only diplomatic adventurism, but more profoundly, its ideo-logical underpinning. "Afghanistan was not ripe for socialism," Professor Dashichev - along with many others - now admits. To try to introduce socialism in this country was break-ing the principles of Lenin.

"Revolution cannot be imported. It must arise from inside. In Afghanistan we had no conditions for such

economic development was ready for socialism." Then he added: "We made

the same mistake in Africa." in today's conditions of glasnost in moday's conditions of glasnost in Moscow, Professor Dashichev and fellow analysts are only just beginning to open up the foreign policy debate to public scrutiny. It is acceptable to mission domestic relies but still seen criticise domestic policy, but still seen as slightly disloyal to question externai relations

None the less Mr Shevardnadze seems to wish to change that. He has proved a remarkable success at the proved a remarkable success at the Poreign Ministry, given that he had no foreign experience before — he was the Communist Party leader in Georgia, credited with curbing the worst excesses of corruption there. In the event he has proved a more than able interlocutor in negotiations with Mr. Shuitz Indeed, the good relation-Mr Shultz. Indeed, the good relation-ship between the two is credited with pushing through the negotiations on scrapping intermediate-range nuclear weapons when technical objections

threatened to abort them.

But perhaps the biggest challenge for Mr Shevardnadze lies not in managing a diplomatic disengagement from Third World adventures, where the costs are relatively limited, but in

the costs are relatively limited, but in managing to promote a new modus vivendi in Europe.

A fascinating speech at last month's Communist Party conference by Mr Yuli Kvitsinsky, the Soviet ambassador to Bonn, spelt out some of the new thinking. First he spelt out the essential link between domestic economic reform and foreign policy. economic reform and foreign policy.
Without a healthy economy at home,
Soviet foreign policy would not bear
international weight, he said. The US used its economic muscle more often than its military, he said. That is why a reduction in our military potential must without fail be combined with adequate growth in the country's economic potential."

country's economic potential."

He put his finger brutally on the continuing weakness—"the technological lag of Soviet industry and overall low quality of our finished products".— which he said meant that on occasion "to sell Soviet output we sometimes even have to remove the Made in the USSR trademark."

He gave a warning that the Soviet Union and its East European allies were in severe danger of being left ont of the "acceleration and deepening of the integrationist process" in Western Europe, 15 the Canacan active fails. Europe. If the Comecon states failed to promote a similar economic inte-gration, he said, "the EC and Nato via the EC may begin to absorb more and more European states . . . In other words, they may construct an all-Eu-ropean branch of the North Atlantic bloc rather than develop equitable and constructive co-operation between the two systems on an all-Eu-

what Mr Kvitsinsky did not make clear was whether he feared some of the Eastern bloc breaking away under the increasing attraction of the economic advantages of the West, or whether he simply saw the EC attracting new members from the European Free Trade Association.

There is no doubt, however, that the greatest challenge to Mr Gorba-chev's skilful management of international retrenchment will come in Eastern Europe. He has so far successfully dodged the question of whether the "Brezhnev doctrine" ~ the ultimate threat of military inter-vention in Eastern Europe - survives under perestroika.

development. It was a great mistake to think that a feudal, or pre-feudal society, with illiteracy and a lack of ready to tackle that yet.

Medal for a German

■ Günter Steffens, general manager of the Dresdner Bank in London, has just been given the unusual award of an honor-ary OBE. Steffens has been in London for 20 years and is a prominent figure on the social as well as the City scene But you don't get an honorary

OBE for that alone.
The real reason appears to be his work in setting up the British-German School for Vocational Training which will open its doors in London in October. Steffens has been chairman of the German Chamber of Commerce here for the last 14 years. He was approached by a number of subsidiaries of German compa nies in Britain about the need to do more to train their

recruits: German-style.
The result is the new School, which so far has the backing of 13 companies, mostly German subsidiaries, though there is also a Swiss interest and some British. There will ba two year courses, very much on the German model of two thirds of the time being spent with the company who sends the student and one third on related studies at the School. The initial courses will be in business administration and

try, is sufficiently enthused about it to have presented the OBE to Steffens who seems set to atay in London for a few more years. His wife, Dorethea. has just completed a degree in psychiatry.

Truth will out ■ There are several surprise Collins, which will be published by Allison & Busby on Monday. Tha first is that it is written by William M Clarke.

OBSERVER

work in and on the City and especially for his chairmanship until last year of the British invisible Exports. The second is that he really does unravel — well, almost — the secret life. And the third is that Clarke is married to Collins' great grand-daughter. A large part of the story was previ-ously known.

Collins, anthor of The Woman in White and The Moonstone, was one of those Victorians not markedly constrained by the moral climate of the time, though in many outward respects he con-formed. At one stage ha took Charles Dickens off to Paris to show him what women could be like.

of an earlier book about Col-

Sensitivities about illegitimacy were overcome and now we

know the story. Almost a Col-

lins novel in itself.

Clean Games

■ The organisers of tha Seoul

Olympics are making extraor-

dinarily confident noises about

the great pagan festival that starts on September 17. The

There were two main women in Collins' life - Caroline and Martha. The three of them ended up by more or less living together. Collins had children by both of them. What has been lacking until now, however, is information about these descendants. The decision of the family to come clean, as it were, came after a review by C P Snow

lins in the Financial Times in 1974. Snow wrote: "Apparently, they don't wish to be recognised. If I were they, I commercial banking.

Lord Young, the Secretary
of State for Trade and Indusshould be proud of such an ancestor, one of the oddest, most gifted, and by all accounts most likeable figures of the Victorian age." That, and a similar review in the Sunday Express, changed the family's mind.

about The Secret Life of Wilkie

Clarke is best known for his



Korea National Tourism Corporation (KNTC) says that Olympic fever is rising and the mood in Seoul is being "intensified with perfect prepara-

Construction work finished in early June with the last coat of paint applied to the swim-ming pool. The facilities and venues have gained "unstinted praise" from the leaders of the Olympic movement. The streets and avenues of Seoul are "being soaked in an Olympic mood.

Foreigners have already bought more than 400,000 tickets. And the authorities have conducted an English contest for over 50 taxi drivers in Chamshil, "to improve the English-speaking standard of drivers who greet foreigners as their guests." The KNTC reckons that

"assisted by a nationwide consensus for apotless security, convenience and hospitality. the Seoul Olympics is highly foreseen to end in signal suc-cess resulting from large-scale and supreme teamwork and unsparing volunteers' support

there. All flights are jammed. A colleague was told yesterday that he could still get into Seoul, but that he couldn't get out - not until October 10. eight days after the pagan fes-tival ends, though that was

Tory for LSE?

If Nigel Lawson really is looking for a job after his final budget next year, there is one intriguing post still open: Director of the London School

of Economics.

Ha has all the intellectual qualifications and would bring enormous prestige besides. The salary could probably be raised accordingly and there is no reason why he should not retain his seat in the House of Commons, if he has not already moved to the Lords. And if the LSE is not physically the most attractive abode in the country, it is always possible, like Ralf Dahrendorf, to move on from the director-

ship to an Oxford College.

It is, of course, conceivable that he would not accept the job if offered. But it does seem extraordinarily timid of the selection board not to have sounded him out.

Meanwhile, there is another

story going the rounds about Lawson. He goes to the Prime Minister in August (this August, not next) and tells her he is resigning.
"Tell me, Nigel," she says,
"what job would you really

"Td like to be Chancellor of the Exchequer," he replies.

Baker's wit

■ Kenneth Baker, the Education Secretary, prides himself on his use of words. So what are we to make of his comment on Paddy Ashdown, the newly elected leader of the Social and Liberal Democrats? "The shal-lowness of Mr Ashdown runs very deep," he said this week

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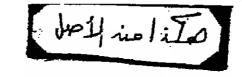
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POLITICS TODAY: JOE ROGALY

The sands of Thatcher time

forever. The best way to comprehend this is to get out of Britain. Here in London, the political atmosphere is suffocating; we seem to live in a one-party state under an all-pow-erful Prime Minister who seems set to

go on and on and on. A visit to the US, where the Democrats have lost four of the last five presidential elections, is, however, instructive. After the 1984 election, in which Mr Walter the 1984 election, in which Mr Walter Mondale was soundly thrashed by President Ronald Reagan, the Democratic Party fell into despair. It was hopelessly divided, demoralised, leaderless, and up against a system of voting by electoral college that seemed to give the Republicans a probable bold on the White House for the rest of this century.

That system is still in place, yet this year the Democrats stand a chance of winning back the presi-

chance of winning back the presi-dency. (One reason is that the Repub-lican candidate, Mr George Bush, has all the magnetic attraction of Sir Geoffrey Howe, without the obvious competence.) Even if it loses, the Democratic Party will still be in the game for 1992. The principal reason is that Mr Michael Dukakis is an effective leader. For the time being at least the has brought together all the par-ty's factions, from right to left, from Bentsen to Jackson. In British terms, it is as if a Labour leader bad achieved unity of purpose with the joint blessings of Dr David Owen and Mr Tony Benn, plus those in between.

It is no use making the excuse that Britain is different. Of course it is. It

would be easy to fill the rest of this page with a list of the differences between US and UK politics. But that is beside the point. The essence of the matter is that in 1964 the feeling of sness among US Democrats was just as strong as it is in the British opposition parties today. The real difference is that they got their

Looking at the British scene from outside does not always work. It has not worked for Mr Neil Kinnock, whose misadventures on his recent whose misaventures on his recent trip to Africa may turn out to have been the proximate cause of his destruction as a credible leader of the Labour Party. If he had called on the Democrats he might have aspired to become a Dukakis; as it is he is more likely to experience the fate of a Mondale. dale. It may not work for Mrs Mar-garet Thatcher, She sets off today on garet Thatener, one sets on unay on a visit to Labor-governed Australia, with plenty of stops on the way. Yet it is unlikely that this will constitute a road to Damascus on which she dis-covers the virtues of community, the vices of unbridled individualism, and the inevitability of European integra-

year or a second of the second

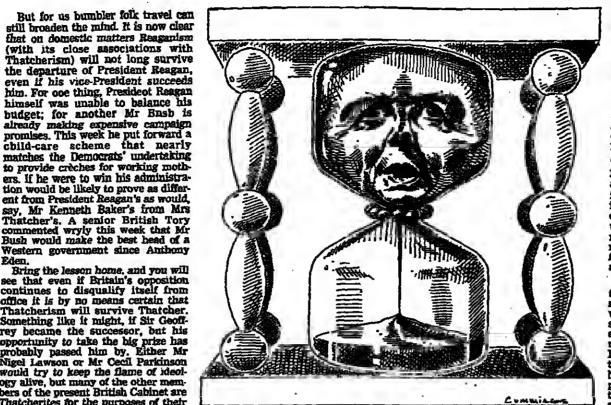
But for us bumbler folk travel can still broaden the mind. It is now clear that on domestic matters Reaganism (with its close associations with Thatcherism) will not long survive the departure of President Reagan, even if his vice-President succeeds him. For one thing, President succeens him. For one thing, President Reagan himself was unable to balance his budget; for another Mr Busb is already making expensive campaign promises. This week he put forward a child-care scheme that nearly matches the Democrats' undertaking matches the Democrats' undertaking to provide crèches for working mothers. If he were to win his administration would be likely to prove as different from President Reagan's as would, say, Mr Kenneth Baker's from Mrs Thatcher's. A senior British Tory commented wryly this week that Mr Bush would make the best head of a Western government since Anthony

Eden.

Bring the lesson home, and you will see that even if Britain's opposition continues to disqualify itself from office it is by no means certain that continues to disqualify itself from office it is by no means certain that Thatcherism will survive Thatcher. Something like it might, if Sir Geoffrey became the successor, but his opportunity to take the hig prize has probably passed him by. Either Mr Nigel Lawson or Mr Ceoil Parkinson would try to keep the flame of ideology alive, but many of the other members of the present British Cabinet are Thatcherites for the purposes of their present unspoken contracts of employment only. If one of them became boss, the whole policy of the Government would gradually change. The Home Secretary of State for Health, Mr Kenneth Clarke, is an able advocate and a passionate believer in the market economy, but I suspect that on social matters his eventual policy would be mostly to the left of current thinking. Mr Peter Walker, a survivor rather than a contender, is well known for his "wet" philosophy. The Secretary of State for Scotland, Mr Malcolm Rifkind, is currently preaching Thatcherism squared, but that is because it is his job to do so. The same applies to most of the other senior possibles, although not to Mr

same applies to most of the other senior possibles, although not to Mr John Major, Chief Secretary to the

It would be a mistake to conclude that the Cabinet is continuously in disagreement with the Prime Minister, as were her early Cabinets after 1979; nor would it be wholly correct to describe her windows at a called the continuous and called the cal describe her ministers as a collection of self-seeking yes-men. It is rather that she has become so dominant that she can safely assume that whoever is asked to serve will understand the terms upon which service is to be rendered. And anyone who accepts those terms is soon infected with the



enthusiasm that comes from feeling that one is part of a winning team.

This aura of authority frees her from the need to put ideology before competence, as was shown on Monday when the undoubtedly Thatcherite Secretary of State for Health and Social Services, Mr John Moore, was left with half his department and the ideologically uncertain Mr Clarke was given Health to look after. (His lack of

given Health to look after. (His lack of communication skills apart, poor Mr Moore may have failed to grasp that it is no good being Thatcherite on the National Health Service when the Prime Minister berself is not.)

Mrs Thatcher's aothority derives from her person as well as the office she holds. Yet if she were to depart from Number 10 Downing Street at any time before the next election the principal political effect of a non-Thatcherite Conservative succession. principal political effect of a non-Thatcherite Conservative succession would be delayed. Most of the conten-tious items in the 1987 election plat-form are now through Parliament or ready to be pushed through in the autumn. The Great Education Reform Bill is now on the statute books. A different administration might seek to implement it in a different manner, but that is a matter of muance rather than substance. The poll tax is now. than substance. The poll tax is now on its way; a sensible successor to Mrs Thatcher, now or in the future,

Principle and Assett Control of the Control

performance.

trade barriers within the EC after 1992 will also have a pro-found impact upon economic

"Supra-national" organisa-tions, both economic and politi-cal, have clearly superseded

the state in many spheres of activity. Let us hope that the new institute for Policy Research accepts these devel-

openents - and does not end up like King Canute on the beach, with his hand held high

City of London been more dra-

All the institutions did the same in 1987, which may reflect the greater concentra-

tion of investment decision making since 1974; a very dis-

The figures give a clue for the fallure of the housing mar-het to drop with the stock mar-ket. The personal sector's enhanced liquidity went into the building societies, causing advances in the first quarter of 1988 to be 45 per cent up on the first quarter of 1987. The insti-tutions' enhanced liquidity may have been renginitiated

may have been repairiated, causing the pound to rise, and a flood of imports.

Geoffrey Gardiner; 3 Molly Potts Close, Knutsford, Cheshire

The figures give a clue for

and the tide coming in.

will surely at the least amend it to make it less regressive, but a reversal of policy is unlikely. The proposed new Official Secrets Act would be less authoritarian under a Prime Minister who was less obsessed with secrecy at all levels; once passed it is likely to remain unaltered on the statute

In the end there would, however, be one significant difference. The mani-fests for the next election, which is likely to continue the series of social policy changes, would be one thing under Mrs Thatcher, and quite another under a less ideological suc-

The story is quite different when one moves from the social sphere to the management of the economy on Thatcherite principles. In this sense, everyone is a Thatcherite now; the belief has grown up in the Conservative Party that the mystery of how to run a modern economy has been aclved. Yet the consistent application of the well-known principles of privatisation, deregulation and fiscal prudence may depend most of all upon the Prime Minister herself. It is hard to think of a successor who would be as determined as she has shown herself to be to stick to policies that she believes will turn out to be right. believes will turn out to be right.

The present policy is to sit through the growing balance of payments cri-als and let the market take care of it. The deficit is expected to grow sharply before it starts shrinking again, but both Mr Parkinson and Mr Lawson, to name but two, think that it would be splendid if this could become the first postwar Government to sweat out such a readjustment without resorting to any of the tradi-tional stop go measures. Guesses as to how high the deficit will rise before it turns downwards vary as much within the Cabinet as elsewhere: one within the Cabinet as elsewhere; one figure, from an optimist, is £8bn; another; from a harder head, is £10bn £11bn this year and £11bn £12bn in 1999. In both cases the line is the one that is becoming familiar: the world is different today, the Government is not living on borrowed money, the deficit mainly signifies a fresh wave of investment in industry, and so on. and so on.

There is also an inclination to stick to present policies while what is foreseen as an inevitable bilt in inflation works its way into, and out of, the system. The degree to which the Government's nerve will hold depends upon how high the bilty reaches, and how long it lasts. One expectation is that it will certainly reach 6 per cent, but that if it rises more than half a point or so above that the panic button will inevitably be pressed. Here again, the general line is that it all depends upon maintaining confidence in the British economy under Mrs. Thatcher and Mr Lawson. All ministers are being made aware of this. Mr. Parkinson, the minister in charge of the Star Chamber procedure for keeping excessive departmental expenditure hids at bay, will certainly be telling the tale to persistently importunate claimants. He will add, as a finele, that confidence will not be maintained unless the Government sticks to strict expenditure controls.

It will be seen that such a strategy could quickly fall apart under a Prime Minister of less than iron resolve. It would be a matter of an extra hillion would be a matter of an extra billion or two on public expenditure in the first round and larger amounts thereafter. True believers might find this hypothesis distressing, one minister wonders whether it would mean that hirs Thatcher would turn out to have been like the Byzantine ruler Justinian I, named by his contemporaries as the "emperor who never sleeps". (He engendered a late flowering in Rome, but did not halt the long decline that buried all traces of the old Roman Empire.) The rest of us are old Roman Empire.) The rest of us are less siry-fairy. We will simply be relieved if the sands of time return Britain to an emphasis on what is meant by social in the social market

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Britain's community charge

The crude virtue of the poll tax

By Giles Keating

windfall gain, usually at the expense of others. Distortions of one sort are removed, but generally at the cost of creat-ing or worsening some other distortion. For example, Mr Nigel Lawson's lower-rate public authorities. Nigel Lawson's lower-rate National Insurance contribu-tions reduced the large deduc-tions from income that had deterred the unemployed from seeking work, at the cost of creating 100 per cent-plus mar-ginal rates slightly higher up the income scale; and his cor-poration tax reforms had simi-larly mixed effects.

But the message of econo-

larly mixed effects.

But the message of economists up and down the land is that the current reforms of property taxes avoid such messness. They say that the proposed changes are unequivocally bad, worsening distortions without offsetting benefits. And the critics are right to argue that the removal of the only tax on owner-occupied dwellings will boost house prices, adding to regional distortions and pushing up wage inflation. Are there really no offsetting gains that improve the allocation of resources?

The community charge, or

the allocation of resources?

The community charge, or poll tax, is crude, but that is its virtue. Tax is virtually a lump sum charge that has no influence on decisions. Income tax encourages us to laze more and work less; VAT pushes us to eat more and to spend less in the gymmasium; but the poll tax leaves us indifferent.

However, the poll tax infinences decisions in one significant way, by encouraging peocant way, by encouraging peo-ple to elect the local authorities that promise the level of public services they want. Maybe this means more Tory councils and lower spending, but in some areas a major-ity may exist for high spend-ing. Either way, the poll tax provides a stark choice between retention of income for private spending and the handing over of income for public spending, in a way that rates never did because many

refer was a law canning end nothing the

essiness is inherent in tax reform. Some individuals receive a condition of the sort are removed, but separally at the cost of creating or warsening some other. So there will be a "market" for the senior of the sort are removed, but senior that most voters would be worse off if spending senior of warsening some other. So there will be a "market" for the senior commenting the senior control of the senior control of the senior control of the senior control of the senior can choose a senior control of the senior can choose a senior control of the senior can choose a senior can choose tax levels among competing

public amhorities.

Merely replacing domestic rates by the poll tax will not give this optimal outcome, because local authorities could increase taxes on businesses. When local businesses decline due to high rates, the voters cannot easily distinguish this from the effect of national economic policies. Also, the employees and owners of businesses often live outside the nesses often live outside the local authority area that taxes their business. By contrast, at a national election almost all a national election almost an the employees and owners of businesses have a vote and are likely to blame the government for a slump induced by higher business taxes.

The local power to tax busi-nesses will be removed by the nesses will be removed by the unsung introduction, alongside the poil tax, of the uniform business rate, fixed nationally. Moreover, the uniform business rate reduces wage inflation, at least parity offsetting the much-trumpeted boost to wages from abolition of its domestic counterpart. This is because, broadly, business rates will decline in many high memployment areas, and rise unemployment areas, and rise steeply in wealthy "Roseland" around London. Developers around London. Developers will be encouraged to provide factory space in areas where spare labour is available, reducing pressure on wages. The effects are difficult to predict and will be complicated by new rateable values, but that is no reason for ignoring this key element in the reforms.

So the Government's reform

So the Covernment's reform of property taxes does give a mesy mixture of effects. If the reform were combined with a new type of housing taxation, there would be an improvement in resource allocation. Even without that new tax the public spending, in a way that rates never did because many voters never paid them directly and because rates were also a tax on housing.

Suppose — and it is a hig supposition—that central government grants under the new system are equitably distributed among local authorities according to need. Then, via

LETTERS

'How much can the state now do?'

From Dr Aaron Nejad. Sir, Baroness Blackstone claims that the new left-of-centre Institute for Policy Research will provide a chal-lenge to the intellectual dominance of the right-wing think tanks, and explode some myths. But although she con-cedes that state intervention in the market has not always worked, she must be cautious not to perpetoate left-wing myths about the power of the state. How much can the state

Technological change and the internationalisation of trade have increased the com-

Witness how Japanese corpo-ratioos can influence pro-foundly the attitudes of workforce, trade unions and even

Incentive to under-invest

From Mr A. Badger, Sir, Your perceptive editorial about regulating a privatised water industry (July 21) missed drawing an important conclu-

The Government has nailed its flag to the mast of price regulation on the grounds that it prompts efficiency. But as you point out: price control coupled with an obligation to provide profits to shareholders also creates a direct incentive

In a capital intensive business like water, the scope for efficiency improvements which would provide a meaningful benefit to shareholders - or customers - is limited. On the other hand, the prospects for getting away with under-in-vestment, when 70 per cent of

From the Mexican Ambassador. Sir, This year's election has been the most contested in recent Mexican history.

Since polling day, all politi-cal parties have maintained a high public profile, through a lively debate and nearly daily public rallies. All these are being conducted in a peaceful, anderly new Various political orderly way. Various political parties have lodged complaints about alleged irregularities and the legal process to review the evidence presented is already underway. A newly-established independent tribunal is considering the complaints and will rule about them in the next few weeks. Later on, the electoral colleges of both houses of

petitive pressures in the world economy. This has posed new problems for the state sector, traditionally associated with inertia and inefficiency. In addition, multi-national enterprises which control huge economic resources — and are prepared to mobilise them quickly and effectively — have often undermined industrial policy, and are gradually low-ering the mast of the state as the main instrument for indus-trial policy.

the assets are buried, must be pretty good unless close regu-latory scrutiny is imposed.

Resolving the conflict of interests of customers and sharebolders in an essential service like water is an old problem. The existing 28 private statutory water companies do not have a regulator, but for over a century they have satisfied customers with their service, and investors their service, and investors with a fair, albeit limited, rate

Surely this should be the way forward rather than the unthinking adoption of the Government's standard privatisation model?

34 Ruskin Close, Rugby, Warwickshire

The election has changed Mexico's political landscape

the Congress will review the election process in its entirety. All political forces are living

up to their commitment to use only legal procedures to pres-ent, publicise and defend their particular opinions and positions about the election results. Parties and authorities are operating within a constitutional framework that no one wishes to undermine.

However, the results themselves, as announced by the Federal Electoral Commission, bear witness to the broad openness and fairness of the elec-tion, conducted with the participation of the representatives of the political parties involved. The results were not only in line with the expecta-

government. Often multi-national enterprises can effect economic changes so quickly and effectively that the state is rendered helpless to intervene. Similarly, the power of the state has been eroded by the increasing importance of state has been croded by the increasing importance of snpra-state" organisations such as the European Community (EC), the International Monetary Fund (IMF), the World Bank, and even the United Nations.

Witness again the influence of the EC over the Government's negotiations with British Aerospace in the Rover group sale. The deregulation of

Aaron Nejad, 1 Endsleigh Court, Upper Woburn Place, WCI Dramatic power of the City

From Mr Geoffrey Gardiner.
Sir, May I add to comment made on the causes of the October 1987 stock market crash?

In 1974 the crucial factor seems to have been the insurance companies' attempt to become net sellers of company securities, briefly abandoning their necessary role of mopping up the regular sales made by the personal sector to cover capital taxes and to invest in single premium insurance bonds.

meet in single premium insur-ance bonds.

In the last quarter of 1887 it seems to have been the per-sonal sector sales that dam-aged the UK equity market :-but it was the British institu-tions which wrecked the over-sess markets with sales total-ling a staggering £90n. Never, surely, has the power of the

tions arising from the opinion polls, but they went even beyond in altering the belance of political forces in the coun-

Mexico's political landscape is a new one from July 6. The long-dominant ruling party, although retaining a majority in the presidential vote, is now part of a more balanced, pluralist scheme, in which other parties will play a larger role than in the past. The richness of political options open to the country cannot be contained any longer in a single dominant party system, or even a hipartisan one. This new bal-ance of political forces will be fully reflected in the composition of the legislative bodies, particularly in the lower house

of the Congress, where the dif-ferent opposition parties will hold more than two fifths of

The recomposition of politi-cal forces arising from the July 6 election has been the answer that the Mexican electorate itself has given to its own aspirations for political change. Restoring economic growth, on a sound and sustainable basis, and redocing inequality, appeared clearly as the other major demand. The wide implications of this demand for change, in terms of new approaches to international economic and financial cooperation, cannot be ignored. Jorge Eduardo Navarrete, Mexicon Embossy, 8 Halkin Street, SW1



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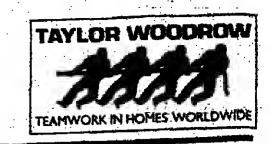
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Iran and US signal closer ties

Andrew Gowers reports on the possibility of rapprochement after a decade of hostility

THE signals coming out believed the Secretary-Gener-of Washington. New al's good offices could help. York and Tehran are "What was ineffective in the confused, but they all convey a similar impression: that after nearly 10 years of mutual incomprehension and hostility, the US and Iran are groping their way towards a new relationship, with potentially pro-found implications for the poli-tics of both countries, for the Western hostages in Beirut and for America's dealings in the Middle East.

Middle East.
Since Iran suddenly accepted the principle of a Gulf ceasefire last week, the Reagan Administration has made a series of overtures to the Tehran leadership, calling on Iran to establish a "single authoritative channel" for a dialogue with Washington and for talks on the plight of American hosthe plight of American hos-tages held hy pro-Iranian

groups in Lehanon.

The response from Tehran, despite the regime's unremitting anti-American rhetoric, has been surprisingly concilia-tory. And in New York, Mr Javier Perez de Cuellar, the UN Secretary-General, has sought to capitalise on the rapidly changing political climate by bringing the hostage issue into his negotiations oo a ceasefire with Mr Ali Akbar Velayati, the Iranian Foreign Minister. Gen Vernon Walters, Washington's UN ambassador, said on Wednesday night that he al's good offices could heip.
"What was ineffective in the old days may not be so today.

Things are moving, things are changing," be proclaimed.

The Iranian peacs move appears in effect to have broken a much bigger logjam. Washington and Tehran were unable to improve relations so loog as the latter flouted the UN Security Council's calls for

UN Security Council's calls for a ceasefire, and so long as the US was perceived to be tilting towards iraq in the war.

The hostages, hitherto a useful tool of Iranian foreign policy, were also the principal victims of the stand-off. Conversely, with Iran now determinedly pursuing the objective of better ties with the West, the Bsirut captives begin to the Bsirut captives begin to look more of a hindrance than

a help.
The US has insisted throughout that there is no question of a direct deal with Iran for the release of the hostages. That may be true in the strictest sense especially given the humiliations of the Iran-Contra affair hut it is also beside the point. For as Iranian spokes-men have made clear over the past week, a general warming of relations between the two countries is bound to bave an effect on Iran's attitude to securing the captives' release.
For the Reagan Administra-

tion in an election year, these

yesterday on the northern Bur-mese town of Myede after an outhreak of rioting left at least one person dead and five wounded.

It was not clear whether the

riot was in response to the country's leadership changes or was a continuation of ethnic unrest between Buddhists and

The government-controlled News Agency of Burma said mobs destroyed huildings including two Moslem-owned teashops and attacked police

with stones and catapults. Police fired shots to disperse rioters who had destroyed two

By Robin Pauley, Asia Editor, in London

A CURFEW was imposed head of government by a for-

Iran launched an offensive yesterday to eject Iraqi forces as Mr Javier Perez de Cneilar, the UN Secretary-General, pondered his uext move in talks on a ceasefire, writes our Foreign

Staff.

Iran said its forces stormed Iraqi positions at Islamabad-Gharb in western Iran, inflicting heavy losses ou Iraqis and members of the Mujahideen-e Khalq, a left wing Iranian opposition group. Iraq, meanwhile, reiterated that its forces continued an orderly withdrawal from Iranian territory.

from Iranian territory.

Mr Perez de Cuellar said
he would stndy "helpful
comments" from Tehran on
his proposals for implementing a ceasefire. He said he hoped Iran would reflect on Iraq's demand for direct talks, Talks resume today.

promise. A public opening to iran would help exorcise the ghosts of Washington's secret trading of arms for bostages in

developments hold distinct

The State Department has in any case recently been show-ing greater interest in re-estab-lishing representation in Teh-ran. It wants to redress the

Rioting in Burma leaves

mer army colleague, Sein Lwin, who also declared him-

Sein Lwin is deeply unpopu-lar and was in charge of the riot police which violently sup-pressed previous riots includ-ing one in Prome, Ne Win's home town.

Prome has been under mar-tial law since July 22 after six days of moh violence which

anys of mon violence which reportedly started between a Buddhist customer and a Mos-lem tea shop owner. Several similar minor quarrels have in recent months turned into

one dead, five wounded

has been heavily criticised in Congress, and to forestall the possible growth of Soviet infinence in such a large and strategically placed country. It would also like to be able to argue that its high-profile pol-icy in the Gulf over the past year has been a success.

The return of the nine Americans held in Beirut would be a icans held in Beirut would be a big boost for the presidential election campaign of Mr George Bush, the Vice-President and certain Republican candidate. The Democrats are already displaying sensitivity to the hostage factor, as witnessed by the Rev Jesse Jackson's attempts to set up a meeting with the Iranian Foreign Minister this week. At the same time, politicians will have to tread carefully in view of the anti-Iranian sentiment in of the anti-Iranian sentiment in

Pragmatists in the Iranian leadership such as Mr Ali Rafsanjani, chief of the armed forces, having embarked on the gamble of pursuing a diplomatic solution to the war, have just as much to gain from a rapprochement. They hope it may give them access to the \$12bn which the Shah's Iran paid for planned weapons deliveries from the US and then never received after the

have appeared to recent days

urging continued protest.
Amnesty International, the
London-based human rights

organisation, yesterday urged Burma's leaders to investigate alleged brutality by the author-

itles during the suppression of the riots in which up to 280 are reported to have died.

reported to have died.

Amnesty said steps taken to investigate abuses had so far proved "inadequate." It has repeatedly expressed concern about evidence "of a consistent pattern of political killing, torture and arbitrary detention" by Burmese security forces in ethnic minority areas.

ethnic minority areas.

Amnesty said that limited

the US, which remains strong.

Islamic revolution. The US can help Iran in the current moves to end the war hy pressing Iraq to exercise restraint. Washington will undoubtedly have a say in the composition of the impartial inquiry into the origins of the war which the UN will set up under resolution 598 and which Iran desperately needs as a face-sayer.

Mr Rafsanjani said last week that Iran had already received assurances from an unspecified party that "the formation of this committee will be such that it will truly seek justice."

Another potential gain that Iran may reap from its current diplomacy is the eventual reduction of the US naval presence in the Gulf. This would help to minimise a big source of friction between the two countries over the past year.

All this amounts to a formidable list of reasons why Iran may want to "have this problem [the bostages] out of the way," as Mr Perez de Cuellar put it on Wednesday. If so, Iran's assertion that it has influence over the Beity kid. influence over the Beirut has influence over the Beirut hidnappers -who, after all, have their own political agenda, including a demand for the release of 17 Arab prisoners held in Kuwait is about to be put to a definitive test.

Guinness appeal rejected by court

By Raymond Hughes

GUINNESS, the international brewing and spirits group, appears more likely to have to pay an estimated £100m (\$172m) to former sharehold-

(\$1,72m) to former shareholders in Distillers as a result of a decision by three British Court of Appeal judges yesterday.

They ruled that the Takeover Panel, the UK mergers watchdog, did not act unfairly or unlawfully when it decided that Guinness broke the Takeover Code by its involvement in a concert party murchase of in a concert party purchase of 10.6m Distillers shares in April 1986, as the \$2.7bn battle for the Scottish drinks group between Guinness and Argyll Group reached its climax.

However, although the judges were unanimous that there had been no injustice to Guinness in the Takeover-Panel ruling, and that the company's appeal against a High Court judgment uphold-ing the decision should be dismissed, they were critical of the way the panel handled the

Guinness is not legally obliged to follow the ruling of the Takeover Panel, but the panel can apply sanctions against companies which defy its rulings by denying them "the facilities of the City", in

"the facilities of the City", in particular corporate finance advice and possibly even a listing on the Stock Exchange.

Lord Donaldson, the senior appeal judge, questioned the panel's wisdom in refusing to defer the bearing to enable it to make "more vigorous attempts" to get officers of Bank Leu, the Swiss parent of Pipetec, the company with which Guinness was alleged to have acted in concert, to attend the bearing.

In the event Bank Leu had

In the event Bank Leu had made a statement amounting to a complete admission that there had been a concert party, which had been "the last nail in the coffin," he said. Lord Justice Woolf said that

Guinness was refused leave

est UK court of appeal.

The panel said after the High Court judgment in March that it would wait until after

alternative in Guinness's offer, the company faces baving to compensate formsr Distillers THE LEX COLUMN

Mixed results from the chemistry set

Philips

Like it or not, ICI is still stuck with the role of market bell-wether. The group would doubtless have preferred not to bring out interim results on a day when sterling shot through DM3.20. As it was, the market had to temper its reac-tion to excellent figures with the reflection of how vulnera-ble British industry still is to sterling's relationship with the EMS currencies.

The figures also have their topical suggestion of overheating. Once more, the supposedly unfashionable bulk chemicals are hammering ahead, while profits from speciality and con-sumer products – hit by dollar sumer products – hit by dollar conversion, to be sure – are actually down. The performance in commodities is again the result of rising demand combined with tight supply: not wholly illogically, the market is already worrying about a new wave of cepacity, which, in the extreme case of polypropylene, is leading to the first signs of a crack in prices despite a rise in European despite a rise in European demand this year of 13 per

That said, there is surely no question of ICI being open to a repeat of the grim days of the early 1980s. The £75m drop in profits from dollar translation in the half year was concentrated in specialities like pharmacenticals, but the underlying performance is plainly still strong. Again, much of this year's profits improvement can be attributed to agrochemicals, whose cycle, if it exists, is certainly distinct from that of industry.

At 1028p, and assuming full year profits of £1,450m, the shares are at the lower end of their rating relative to the market. At the peak of an unusu-ally long cycle, this is scarcely surprising. The market is waiting for clarification on the outlook for currencies, and above all, on ICFs behaviour in an actual downturn. Come the time, the shares will probably look cheap; but there is no burry about it.

Barclays Bank

Barclays bristles at the idea that it is using its £920m rights issue to buy a digrer share of a heavily overhanked market, hut its denials sound rather flimsy. It is one thing to stress that the average lending margin over base rate is higher than it was a year ago, but the sharp drop in domestic net Share price relate to Ambienders

cent plus rise in sterling lend-ing tell a different story. Clearly, Barclays is wasting no time in rapidly expanding its balance sheet, even though it means buying in more expensive wholesale money to satisfy its ambition of regaining the title of Britain's biggest and best bank as quickly as

Shareholders can only hope that the management has not forgotten its earlier promises about improving profitability, since the short-term consequences of this ambitious bid for market share are proving a trifle expensive. Domestic banking profits are marginally lower in the first half, com-pared with the immediately previous six months, and it is previous six months, and it is possible to explain away almost all of the 17 per cent increase in first half profits by deducting the profit on the sale of the Californian bank, a one-off contribution from 31 and a £45m drop in provisions. Admittedly, the last item reflects an improvement in the quality of the loan portfolio, and lower interest rates plus an earlier than usual pay an earlier than usual pay increase have depressed profits by say £45m. For the moment, a prospective yield of over 7 per cent is the only support for the shares; though if the man-agement's strategy is to be believed, profits of over £700m can be expected in the second half.

Philips ...

Those companies whose horizons were darkened by McKinsey's recent critique of the UK electronics industry may be tempted to take comfort from yesterday's gruesome interim results from Philips. The British industry may be stuck in low-growth areas like defence and telecommunications; but

Philips has managed to be big in high growth areas like consumer electronics and microchips, and still produce a misseable profits record.

On its own, though, Philips' plight does not necessarily disprove the argument. The Dutch company may not be unique in Europe in the scale of its management arrors; but it must rank among the industry's worst offenders, so it would be unwise to draw too many strategic conclusions from its experience. Philips is not in trouble primarily because it is in consumer electronics and microchips — it is in trouble because it is Philips.

Or so the argument used to

Or so the argument used to run. But now that the group has embarked on a rationalisation programme involving major organisational changes, and up to 20,000 job losses, the market is expecting to see mar-gin improvement and an increase in the dismal 5.7 per increase in the dismai 5.7 per cent net return on assets achieved last year. These expectations have, however, been around for a fair while aiready, and yesterday's 48 per cent decline in net income per share for the half year did little to expect them. Indeed Phil. to support them. Indeed, Philips looks likely to meet its target of flat full year earnings only if can generate income from joint ventures or asset sales; and its recent record in this architecture. this area does not inspire much confidence either.

US LBOs

Many of the more highly leveraged US buy-outs have always looked like accidents waiting to happen; neverthe-less the disclosure that Revco, the US drugstore giant, has filed for the protection of the benkruptcy courts is a chilling reminder of the risks that lie just beneath the surface in the US financial markets. As Morgan Stanley recently demonstrated when it more than doubled its second quarter profits by taking a \$124m gain on its investment in Cain Chemical, the rewards on these types of transactions can be immense. But so are the risks, and the enthusiasm of Wall Street investment bankers for structuring deals with minimal equity and wafer-thin interest cover has been becaused. cover has been haunting the The only consolation is that if the recent uptick in interest rates is followed by a serious recession, the investment banks will be able to earn plenty of fees rescuing their

US reveals locations of five chemical weapons plants

By William Dullforce in Geneva

the locations of five chemical weapons plants and explained in detail bow it would go about destroying them. The declara-tion by Mr Max Friedersdorf, the US representative, to the 40-nation UN Conference on Disarmament, was intended to speed up talks on an international convention hanning

chemical arms.
Mr Friedersdorf endorsed a revised Soviet proposal for experimental testing of procedures to be used in conducting inspections of industrial facili-ties. He also reported that representatives of the US, European, Canadian and Japanese

By George Graham in Paris

THE investigation into the

crash of the Airbus A-320 air-liner which killed four people

in north-east France last

month has cleared the aircraft itself of responsibility for the

In a report submitted to the

French transport minister yes-terday a commissioo of inquiry ruled out any technical

shortcomings in the A-320, the latest in the Airbus range of airliners, which was perform-

ing a demonstration at the

Mulhouse-Habsheim airshow.

chemical industries were preparing recommendations for monitoring private sector

One of the remaining obsta-cles is how to reconcile inspection of production plants with

nations to disclose their facili-ties. About a dozen countries participating in the UN confer euce had not yet declared whether they possessed weap-ons, he said, suggesting also that some earlier denials were

hibition on chemical weapons, Mr Friedersdorf said the greatest risk of their use now lay outside Europe.

An important breakthrough in the Geneva talks appeared

to have been made last year, when the Soviet Union accepted the principle of onsite and challenge inspections of chemical weapon facilities.

the panel's decision to rush the investigation so as to obtain au early hearing, "whils not unlawful, was

Lord Justice Lloyd said of the panel's refusal to grant Guinness a short adjournment to prepare its defence: "Wise it was not. But fair it was, hav-ing regard to what Guinness already knew of the case against them "

to appeal to the House of Lords, Britain's upper parlia-mentary chamber, but said later that it would consider seeking leave from the Law Lords themselves - the high-

any appeal before considering the financial consequences of its decision, which was based on the Takeover Code princi-ple that all shareholders in a target company must be

treated equally.

As the purchase price for the 10.6m shares was substantially higher than the cash sharebolders.

Saunders challenge, Page 6

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companies rescue City watchdog By Nick Bunker and Eric A GROUP of 50 life assurance companies have had to bale out one of the UK financial ser-

British life

vices industry's new watchdog bodies with a cash injection likely to total more than £1m

The money is understood to be needed because of cash flow difficulties encountered by the the Financial Intermediaries, Managers and Brokers Regula-tory Association (Fimbra), the self-regulating organisation (SRO) responsible for policing small independent investment

brokers and intermediaries. Mr Ray O'Brien, Fimbra's chief executive, would not dis-Fimbra's present finances yes-terday, but he confirmed that without the injection its members would have faced "an immediate increase in fees between one-quarter and one

Fimbra has been plagued with problems, both financial and administrative, ever since it started getting to grips with its role in the investor protection framework set up under the 1986 Financial Services

In particular, it admitted yesterday that it has underesti-mated the costs of authorising and monitoring its diffuse membership, which is expected to be around 9,500 individual investment businesses by the

end of this year. The companies which have thrown a life-line to Fimbra are all members of the Independent Market Assistance Group (Imag), which was formed to help maintain independent intermediaries as an important marketing channel for the life

marketing channel for the life assurance industry.

Imag last year helped Fimbra by funding a telephone help-line for Fimbra members and seconding staff to the SRO.

The cash injection was welcomed by Mr David Walker, chairman of the Securities and Investments Board, the financial services sector's chief watchdog. He said the move "wonld

enable Fimbra to develop new methods of funding on a secure and long-term basis". Mr O'Brien would give little indication as to when Fimbra would be able to publish the results of a planned review of

its funding arrangements.
"It will be months, rather than weeks, but not years", he

said. Background, Page 6

WORLD WEATHER

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Casubiance	F	Z	81		F	29	84	Pelong	F	26		Warden.	F	20	62
Chicago	F	23			A	16	44	Pregue	F	21		Attendance:	C	21	70
Cologne	F	21	70	Los Angeles	C	27	51	Reykjavik	F	10	50	Zunck	S	21	70
Copenhagen	C	19	86		F	19	66	Acedings O a	-		-	rdane			
Carlu	Š	36	93	Madrid	S	34	\$3								
Delles	F	25	77	Majorce	3	30	86	C-Cloudy P-D	وأتحنأ	-		g-Fog H-Hall R	-		
Cucin	R	11	52	Meleca	5	25	20	St Gum Si Clare	Sec.	ino-	7-7	التأسية			

large anti-government riots, often led by students protest-ing against one-party antoc-racy and the mounting ecotea shops and a third building. The internal situation in information available included evidence that the army and police in Karen, Mon, Kachin, Shan and Arakan states com-Burma is becoming increas-ingly confused after resignanomic crisis. Western diplomats said Sein Lwin's rise could "fan the fires mitted "severe violations of of political protest". I eaflets human rights." tion of U Ne Win from the presidency and his replacement as

THE US yesterday disclosed agreement on a ban.

the need to protect confidential business information.

The US listed production facilities for chemical arms at Rocky Mountain Arsenal, Colo-

rado: Newport Army Ammunition Plant, Indiana; Pine Bluff Arsenal, Arkansas; Muscle Shoals, Alabama; Aberdeen

"inaccurate". Calling for a truly global pro-

Proving Ground, Maryland.

Mr Friedersdorf urged other

Inquiry clears crashed Airbus The principle factor in the crash, according to ministry officials, is that the aircraft was flying at only 10 metres above the ground. The French

civil aviation authorities ear-lier this week issued a reminder to airlines that low altitude flights are forhidden below 50 metres, or 450 metres when flying oo instruments. In addition, the Airhus was flying at 119 knots, when the flight manual states a minimum speed of 140 knots, the

than 10 per cent of their maximum thrust for more than 80 seconds, the aircraft was angled at 17 degrees, and the alpha protection system designed to boost the motors automatically below 100ft had been extiched off been switched off.

The report indicates that the motors responded normally to the throttle when the pilots tried to accelerate.

The parallel judicial investigation may eventually result in charges against the pilots.

UK prices to increase

Continued from Page 1

tion in many countries. The UK is particularly vulnerable to any such resurgence, with our exceptionally rapid rate of

Noting that monetary conditions had been tightened by raising interest rates sharply, Mr Lawson said this would "moderate the expansion of demand and in due conrse enable inflation to resume its downward trend." In a pointed reference to recent Whitehall discussions

about the composition of the

retail prices index, he said that "thanks in large part to the fact that our retail price index, unlike those of most other countries, has the mortgage rate as one of its major components, recorded inflation will go up further before it comes down again."

Mr Lawson took the oppor tunity to praise the Prime Minister, in terms matching those with which she lauded

SECTION IV

FINANCIAL TIMES



More than 40 new satellite television channels are due to be launched over the next two years, and

there are plans to manufacture a million low-price domestic

receivers. But will viewers want the programmes that will be on offer?

Raymond Snoddy reports

Programme of expansion

years of delays, disappointments and losses, appears to be poised on the edge of signifipoised on the edge of signifi-cant growth — growth that could mean a large increase in the number of television chan-nels available to viewers and the arrival in volume of a new electronic consumer product, the direct-to-home receiver.

Between now and early 1990 television satellites capable of hroadcasting more than 40 channels direct to dish aerials on individual homes are sched-

The surge in interest was best symbolised last month when Mr Murdoch, the Australian-American publisher, stood amid swirls of dry ice and inspirational music at a London press conference and amounced plans for four tele-vision channels on Astra, the Luxembourg-based satellite project due to be launched in

In addition to upgrading Sky, the general entertainment channel launched in 1981, Mr Murdoch said he was launching a film channel, a news channel and, in a joint venture with other European hroad-casters, a sports channel.

But it was not just the four channel package that created headlines around the world. Not only would the channels

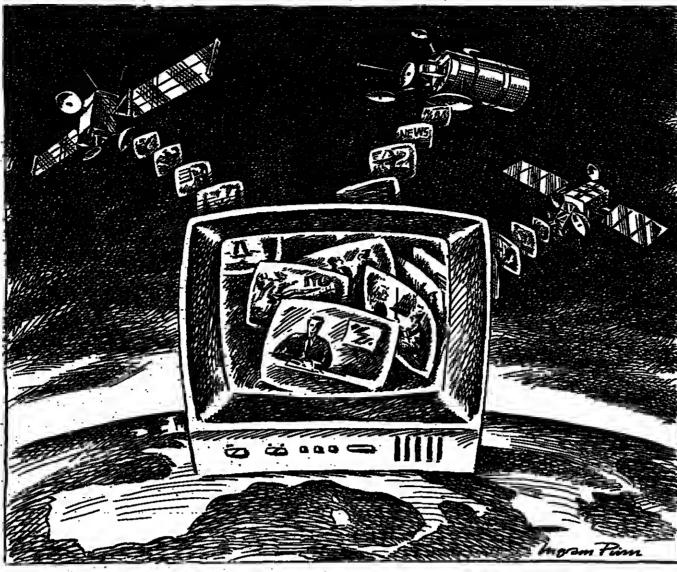
165-

7.5

financed - but Mr Alan Sugar, the electronics entrepreneur who has made a fortune by making products such as the word processor affordable to the mass market, pledged that the retail price of the receiving equipment would be £199. As many as 1m receivers would be produced in the first year, and instead of sophisticated and more expensive satellite stan-dards such as D-MAC, Mr Murdoch would use PAL, the existing television standard.

It is too early to say what the effect of Mr Murdoch's plans will be on British Satellite Broadcasting, the UK's £625m direct broadcasting by satellite project scheduled to gin its three channel service: before Christmas 1989. BSB is a very different project which will use D-MAC receivers, be funded by a mixture of advertising and subscription revenue and will be spending more than £100m a year on pro-grammes, a high proportion specially made by independent

producers. According to a Sky memorandom, the channel is plan-ning to pay \$3,500 an hour for series for its upgraded service and \$4,000 an hour for TV movles and mini-series. "You can't even buy the Lone Ranger for that kind of money," com-



Satellite Broadcasting

mented Mr Gunnar Rugheimer, managing director of Galaxy, BSB's general entertainment

Mr Anthony Simonde-Gooding, the BSB chief executive, envisages BSB as the "third force" in British broadcasting after the BBC and ITV. If consumers do, however, buy the £199 receivers in large num-bers it could put a serious dent in BSB's hopes of reaching 400,000 homes in its first year. To further complicate the picture Mr Robert Maxwell,

WH Smith and British Telecom have brought together a third block of existing channels already available on low power telecommunication satellites into a single package for transto the home satellite. The plan is either to transfer them to Astra — although they will use the D-MAC standard because the aim is to offer them as a subscription package - or to wait for the launch of Eutelsat II, a new 16-channel television satellite due to be launched by the European Telecommunications Satellite Organisation early in 1990. At the moment the group appears to be lean-ing towards Eutelsat, although

no final decision has yet been Mr Ted Turner's 24-hours a day news channel, Cable News Network, is, however, likely to, opt for Astra, although it has not been decided yet whether

to use PAL or D-MAC. For the consumer and the electronics industry there is

three different satellites with three different standards. Although the manufacturers say they will be able to deliver motorised equipment that could pull in pictures from all. the main satellites, the cost is unlikely to be much less than

The proliferation of new channels and dishes could provide a boost for cable television which has the capacity to col-lect all the available satellite channels and distribute them to the consumer as a retail service. By law the modern cable networks, now with a total of 45,000 snbscribers, have to carry the three BSB channels.
Already there are more than 20 channels available on low power satellites over Europe;

largely delivered to the con-

sumer by cable, although none are believed yet to have broken even. The available channels include WH Smith's Lifestyle and Screensport channels; Pre-miere, the film channel; Super Channel, owned by Virgin and a consortium of ITV companies; and RAI Uno, the first Italian channel re-broadcast by satellite for Italian expatriates

throughout Europe. The creation of a new directto the home market will, however, come at the very time when there is an enormous intensification of competition for the viewer's time and

In the UK, commercial television is now hroadcasting 24 hours a day and the government is likely to give the go-shead for a fifth conven-

Programmes: Schedules need ibitions to be the be much improvement

Data: Potential for using parts
of the TV bandwidth tor data 5

levels fail to rise Scandinavia: Tele-X is the

tional television channel, and possibly even a sixth. In the past two years the proportion of homes with video recorders has risen to more than 50 per cent and the UK video rental market is now estimated to be worth more than £500m a year.

Astra: The battle to ierdwere: Hooes fade

Against such a background, Frost and Sullivan, the US con-sultants, forecast in a study of the market for DBS in Western Europe published earlier this year that by 1997 about 19.5m households in Europe would be able to receive satellite television on their own receivers or on SMATV systems - delivery to a single antenna servicing a block of flats. Ahout 9.5m would be receiving DBS new channels through individual home reception equipment.
The report was published before Mr Murdoch's announcement.

Mr Patrick Whitten, manag ing director of CIT Research, a UK communications consultancy which has been following the development of cable and satellite since 1983, is

much more pessimistic.
"By 1998 we think nearly 30m homes in Western Europe will receive satellite television but only about 1%-2m will be received direct, the rest will be on cable which we see growing at 9 per cent a year," said Mr

In the UK Mr Whitten, who says his projections assume that many of the things that could go wrong actually do, believes that 2m to 3m homes will be receiving satellite tele-vision but only 500,000 of then direct with their own equip-

Mr Whitten points out that last year the main four satel-lite channels, Sky, Super Channel, Sat I and RTL Plus, had total revenues of 61m Ecus (£40m) and total losses of 130m Ecus (£86m). Certainly, until now, the fate of the national high power DBS satellites has not been a happy one, More than 10 years after the World Administrative Radio Conference allocated five DBS channels to most nations, not a single European DBS project has actually begun broadcasting.
The West German TV-Sat,

scheduled to broadcast two private and two public service channels, was successfully the satellite never worked properly and eventually had to he declared a total write-off by its owners the German Bundes

The second TV-SAT is scheduled to be launched next sum-mer although, in the mean-time, the commercial channels RTL Plus and Sat 1 have been dramatically extending their andience by broadcasting on normal broadcasting frequencies in addition to cable television. Earlier this month the private broadcasters got access for the first time to terrestrial frequencies in the important area of North Rhine West-phalia and its 22m population.

The deal, which gives the commercial broadcasters access to spare frequencies does, it is believed, also include an obligation to use a German becomes available

In France TV-SAT's twin TDF-1 is still sitting firmly on the ground although it is due to be launched by Ariane in October. Apart from the fact that it will carry la Sept, a cultural channel, and possibly 16 channels of digital stereo radio, final decisions have not yet been taken.

There seem to be no takers at all for Tele-X, the £170m Swedish, Norwegian and Finn-ish DBS satellite for which neither hroadcasters nor telecommunication operators seem prepared or able to pay.

In Ireland, Atlantic Satelites, a company 80 per cent owned by Hughes Communica-tions of the US, has heen awarded a 10-year contract to operate an Irish DBS service which would, in effect, be aimed at the UK market. It is not clear when, or even if, such a service will be launched.

The number of people who will be persuaded to huy new domestic equipment because of the technological beauty of satellites will be limited indeed. The battle will be won or lost on the quality of the pro-grammes: the new broadcasters will need to produce programmes for which the consumer is prepared to pay, or they need to be attractive enough to provide audiences too interesting for advertisers

Modern technology provides a vivid contrast with the tools available 900 years ago when William the Conqueror compiled his Domesday Book survey of Anglo-Norman England.

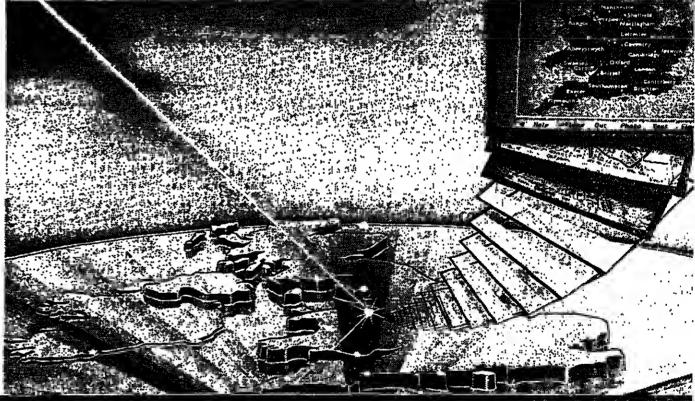
For if the British Broadcasting Corporation's 1986 Domesday Project was also published in book form, it would fill over 300 volumes and take seven years to read.

Instead, this ambitious survey of 20th century British life, comprising 250,000 pages of text, 50,000 photographs, 24,000 maps, 60 minutes of video and millions of statistics, is 'printed' on only two LV-ROM (Laser Vision-Read Only Memory) discs of the Advanced Interactive Video (AIV) system.

In a matter of seconds, anyone can find anything, anywhere on the discs. Texts can be studied, commentary heard, map routes explored, and data evaluated - in any sequence, at any pace.

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In February 1986, just a few hours after being placed in an 817 km quasi-polar orbit, the French remote sensing satellite SPOT-1 began transmitting some of the most detailed images of the earth ever recorded from space.

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tures.
The BSB business plan, which envisages reaching 25m homes by the third year, is

firmly based on subscription revenue particularly in the

early years of the 15-year fran-chise before advertising builds

All RSB channels will be

scrambled and each subscriber will have his own personal identification number with a

monthly charge of about £10 a

monthly charge of about kill a month for Screen, while the other two channels will be financed by advertising.

"The plan is to offer at least one high quality film a day that is different," said Mr Andy Birchall, managing director of Screen. Mr Birchall added that he had reached agreement with

Screen. Mr Birchall added that he had reached agreement with a number of film distributers to gain access to films six months after theatrical release.

Mr Gunnar Rughelmer, managing director of the Galaxy.

Channel, will have between the steen to seem

£40m to £50m a year to spend

"At the upper end of that scale I think it will be quite a respectable schedule. At the lower end, it will be a little bit tough. But it's not rubbish,"

on programmes.

British Satellite Broadcasting's plans in the face of early competition

BSB'c Hughes HS 376 satellite: three new UK services in 1989

THE CONTEST between British Satellite Broadcasting, Britain's £625m direct broadcasting by satellite venture, and the ITV companies for the rights to televisa football has been tense, at times a little rough and has just gone into extra

BSB went into a dramatic lead in May when the satellite company which plans to launch three new channels of television in the autumn of 1989 announced a plan for a joint venture with the Football League and the Football Association which would guarantee football a minimum of £9m a year in television rights.

ITV, as interested in stop-ping BSB as in how many live Sunday afternoon football games it could cover, struck back with a unilateral offer to "top ten" first division clubs, an offer that carried with it the danger of splitting the Football

After BSB increased its minimum guarantee to £11m a season and ITV put on the table a competing offer worth a total of £52m over four years, the football authorities are jumping with joy at the effect com-petition between tha new media and the old is having on the going rate for the game.
"For 30 years we have got a

Ambitions to be the best

pittance because they (BBC and ITV) got together. We have another market now. We have BSB," Mr Jack Dunnett, former president of the Football League, said earlier this

The winner of this particular match will be decided at an extraordinary meeting of the League on August 8. The BSB offer appeals to many clubs because it offers a long-term partnership to share all revenues flowing from the exploita-tion of UK football rights around the world and the potential for pay-per-viaw -the charging of subscribers to watch top individual matches. The first division clubs have, however, decided to back ITV.

The battle for football rights is just the most dramatic and public sign so far of the effect BSB could have on the traditional broadcasting environment in the UK.

The satellite company plans to spend up to £120m a year on its three channels: Now, with sport, live events and eight hours of news a day; Screen, the subscription film channel; and Galaxy, the family and general entertainment channel.

and a range of shareholders which include the Bond Corpo-ration of Australia, Reed Inter-national and Next, the retail

group, to pay for the manufac-ture and launch of two high power satellites and get tha service under way. Later next year BSB will go to the City to raise a further £400m to com-

The company is clearly looking for the premium programmes that will persuade people to

buy the special BSB receiving equipment and help to keep at bay Mr Rupert Murdoch, who plans to launch four "free" channels on the Luxembourg

satellite project Astra.
"We are still the best show

It is a high cost and high risk project - and Astra should be a formidable competitor

plete the funding of the proj-

BSB says that everything is on schedule for the launch of the first satellite in August 1989 and of the television service before Christmas that

In the battle against competi-tors such as Mr Murdoch, BSB will have smaller dish zerials 35cms to 45cms compared with 60cms to 75cms - and a more sophisticated technical standard, D-MAC, capable of carrying digital stereo sound and the eventual move towards higher definition television pic-

pace will be coming from three US companies: McDonnell

Douglas, Martin Marietta and General Dynamics. These organisations are in the pro-cess of taking over the market-

ing of three rockets - the

Delta, Titan and Atlas-Centaur

in town," says Mr Anthony Simonds-Gooding, chief execu-tive of BSB, a consortium the founder shareholders of which are Granada, Pearson (publishers of the Financial Times), Virgin and Anglia Television.

Although it is taking its ambitions to be "the best" very seriously, BSB is clearly both a high cost and a high risk proj-ect and Mr Murdoch's plans should make Astra a more for-midable competitor than once seemed likely.

Around £225m has already been raised from the founders

said Mr Rugheimer, a former senior BBC executive involved in the two previous falled attempts to get DBS off the

ground in the UK. "I always believed it could be

done. We have now got the right skills together for the first time under one roof," added Mr Rugheimer.

BSB is studying a wide range of marketing promotional plans to get as many receivers, to be produced exclusively by between three and five manufacturers for the first three

years, out into the market as dised receivers will be given to all those who pay a subscription in advance, perhaps for a year. Free receivers may be given to opinion formers and another possibility is that. rather like the Channel Tunnel, shares will be offered to the public accompanied by free initial subscriptions for those

who buy the equipment.

But in the face of the early competition from Mr Murdoch, Mr Simonds Gooding is clear that the challenge now will be to persuade the consumer of the quality of the programmes. BSB plans on offer "in order to stop people going for him and to wait for us."

Raymond Snoddy

SINCE THE launch of the first satellite in 1957, virtually all the 3,000 or so spacecraft ejected into orbit have been put there using launch vehicles operated by govern-ments. The start of launch operations four years ago by Arianespace, a French-based company owned by a mixture of private and public share-

holders, changed the pattern.
Arianespace, which operates
the Ariane rocket developed over the past 15 years by the 13-nation European Space Agency, has emerged as the world's leading launcher organisation outside the Soviet Union. The French company looks the best placed among the competing concerns in the launcher market to win contracts over the next few years.

Arianespace is 33 per cent owned by the French govern-ment, through a stake held by the French national space agency. The rest of the shares are beld by a range of organisations, including European banks and aerospace compa-

set apart from government activities. It has not had to pay for the \$1bn (£590m) or so development costs of Ariane, footed by West European tax-payers. For using a launch pad in French Guiana operated by ESA it pays only a fairly mod-est fee which is far less than the cost to a private organisa-tion would be of setting up a

the French company is com-mercially driven and uses conventional private sector mar-keting techniques in order to

vehicle of about 1.2 tonnes.

Exactly what the market will he is largely a matter of guesswork. The best estimates of Euroconsult, a consulting group hased in Paris which specialises in the space industry, is that over the period 1989-96, an average of about 16 commercial satellites a year will be taken into orbit.

This adds up to a total launcher market over this time

launch operation from scratch. In other respects, however,

win orders. Arianespace is thought likely to account for about half the total market for commercial space launches over the next few years. It charges some \$50m for a launch of a conventional telecommunications

French have a head organisations charge roughly a factor which is related to the pal competition for Arianesthe same for launch services as

are for satellites operating only in the geostationary orbit 36,000km above the earth which is the most popular place for communications

The figures for Euroconsult

Virtually all the satellites will be for telecommunications applications and operated either by governments or pri-vate companies, although the figures also include some space vehicles for jobs such as taking picture of the earth and meteo-

Arianespace is aiming to launch about eight Arianes a year, with one Ariane capable of taking two, sometimes three, satellites into the geostationary orbit. The exact figure depends on the weight of the satellite and the amount of of some \$50n, assuming other power generated by the rocket,

rocket's booster configuration. Apart from giving commercial satellites a ride into space, the Ariane rockets will also be taking into orbit some scientific and military payloads.

Arianespace is being joined in the launcher business by the

The principal competition will come from three US companies - but none has set the world on fire so far

LAUNCH VEHICLES

overnments of the Soviet Union and China, both of which have said they want to take commercial vehicles into orbit on behalf of Western companies and governments. Nei-ther organisation has, however, made much headway so

As a result of this the princi-

- which they build and which have been operated hitherto by the US government. In each case the companies will be responsible for launch services, although they will use rocket facilities owned by the US gov-ernment such as at the Ken-

nedy Space Center in Florida. The three private US compa-

market in recent years as part of a shift in US space policy that attempts to put emphasis on private sector operations. As part of this, the National Aeronautics and Space Administration will no longer be involved in commercial launches, either using traditional expendable rockets or its fleet of space shuttles. Space shuttle flights are expected to restart this autumn after a break of nearly three years following the Challenger disaster of January 1986.

The extent to which tha three newcomers will succeed is still, however, a matter of conjecture. Their commercial operations will be helped by the fact that all three groups are expected to gain a steady flow of orders from the US Defence Department for the launch of military satellites for communications and surveillance. The military orders will

provide the companies with substantial revenue which, to some degree, will enable them to subsidise their commercial

The three concerns have, however, hardly set the world on fire so far through picking up commercial orders. All are one to start their commercial operations either next year or in 1990. McDonnell Douglas has a useful order for launching two direct broadcast TV satel-lites to be operated by British Satellite Broadcasting. These vehicles are due to enter space in 1989 and 1990.

Martin Marietta has won a contract from Intelsat, tha international satellite communications body, for the launch 1989 and 1990, it is also due to take into space in 1989 a vehicle owned by Japan Com-munications Satellites, a Japanese venture.

Possibly the most promising

lead for the company is an arrangement with General Electric, tha US satellite builder, under which Martin Marietta is due to launch a series of up to 15 communica-tions vehicles which General Electric is to construct for

unspecified customers during This deal is, however, to some degree provisional, since it will depend on General Elec-

tric itself gaining orders for satellites over the period. General Dynamics, meanwhile, looks the least well placed of any of the three US launcher companies. It will start its launcher operations in

1990, a year after the other two, and has not chalked up any very significant orders so far.

One factor which overrides everything in the launcher market is that the number of taken into orbit in the 1990s is likely to be significantly fewer than was predicted even five years ago. Euroconsult's figure of an average of 16 a year com-pares with some estimates of 20-25 a year made in the early

With this factor in mind, it may be that at least some of the US launcher companies, which do not have the same start in the lanncher market as Arianespace, may find it diffi-cult to make headway over the

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Astra, the satellite chosen by Mr Murdoch, should be operational by the end of the year

The battle to be 'hot-bird' is far from over

ON NOVEMBER 4 this year, if all goes according to schedule, the European space rocket Ariane will blast off from French Guyana and place Astra, a dedicated 16-channel television satellite, into orbit.

By December the satellite. owned by the private Luxembourg company Société Européenne des Satellites (SES). should be operational and capable of broadcasting its channels over moch of Western Europe but in particular to the three main European markets of the UK, West Germany

and France.
Astra is noted for being the first medium power satellite to be launched in Europe power-ful enough to deliver pro-

weil as feed channels to the cable television networks of Europe. Its channels can be received over the southern half of the UK with a 60cm dish but for northern England, Scotland and Northern Ireland 75cm will

It is also the first private sec-tor satellite to be launched outside the Eutelsat and Intelsat international satellite organisa-tions operated for national post and telecommunications

Since the beginning of June Astra has probably been best known as the satellite chosen by Mr Rupert Murdoch to realise his television ambitions. On June 8 Mr Murdoch,

group controls Sky Channel, the first satellite entertainment channel in Europe, announced at a press conference that he had leased three satellite transponders on Astra from British Telecom International with an option on a fourth.

Now Sky would be joined by three new channels - Sky News, Sky Movies and Eurosport, a joint venture with a group of Europe's public ser-vice broadcasters including the

Even more significant for the shape of future competition Mr Murdoch decided to go for the most straightforward approach. It is envisaged that the channels would be "free", financed by advertising, and to keep the cost of the receiving equipment to a minimum the standard used would be PAL. the same as existing television sets in the UK and most of

Europe. By Mr Murdoch's side when the announcement was made was Mr Alan Sugar, the consumer electronics entrepres and chairman of Amstrad, who said he expected the retail price of basic PAL receiving equipment, including value-added tax, would be £199, although a more sophisticated version with remote control would cost £254. One million receivers would be available in the first year, he promised, and Dixons, the consumer electron-ics retailer, would take 500,000

At the time, the move seemed decisive. Mr Murdoch had done it again and pulled off the television equivalent of the dramatic move of his British national newspapers to Wapping, leaving the opposition trailing in the wake of another master stroke.

It would, of course, cost a lot to run four channels without a second satellite.

subscription income. But he was according something that could not be bought in any other way. In effect he has acquired a national four-channel commercial franchise, poten-tially covering the whole of the UK, without having to ask the permission of either the Independent Broadcasting Authority or the Home Office because the signals would be coming from outside UK jurisdiction.

The programmes on Sky, the general entertainment channel which first began broadcasting in 1982, would be upgraded and three new channels created by February.

For Astra the deal, worth £100m over 10 years, broke the logism of potential users negotiating for transponders but not actually finally committing

It also gave an enormous boost to Astra's strategy of trying to become the "hot-bird", the satellite that all the channel operators would want to be on and all the dishes would be pointed at

For British Satellite Broad-casting the Murdoch initiative seemed to spell enormous trou-bla. Would the high-power, high-cost venture really be able to raise second round fin-ancing of £400m for its three channels in the autumn of 1989 when Mr Murdoch was already in the field with four channels and the possibility that a fur-ther six English language channels provided by the Max-well/WH Smith consortium

well with Smith consortium would join them on Astra?
Certainly SES, with paid-up capital of £110m, and share-holders which include Luxembourg banks, financial institutions and Thames Television, one of the largest British ITV companies, is now confident enough about the future to begin preparations for ordering

Mr Rupert Murdoch announces the three new channels. From left: Dr Pierre Meyrat (Director General, SES); Mr Murdoch; Mr Alan Sugar; Mr Marcus Bicknell (Commercial Director, SES) In the face of suspicion and bostility, the SES achievement so far has been remarkable. The battle, however, is far from over and Astra is not yet that "hot-bird". The Maxwell/FE Smith consenting on expanding

tha "hot bird". The Maxwell/WH Smith conscrition which groups Premiers, the film channel, MTV (Europe), Home Video Channel, Screensport, Lifestyle and Childrens Channel, is talking to Astrabut is also impressed by Eutabat's medium power satellite due to be launched in March 1990. The outcome is far from clear and the consortium, the channels of which are already concentrating on expanding their audiences by using ordi-nary land-based transmitters, can be persuaded to climb on board. Two Scandinavian channels will, however, be carried by Astra If Mr Murdoch were to find channels of which are already available to cable networks using existing low power satellites, increasingly feels there is no desperate rush to make up its mind.

If the group were to go to Kutelsat, it would leave a large hole in Astra's programme of the

himself alone on Astra - although Astra is confident this will not happen - it is believed that conditions in his contract might allow Mr Murdoch to extricate himself.

Mr Murdoch also faces a

number of difficulties which may not make Sky Television quite such an immediately devastating threat to BSB as might initially appear. Time is short to create three new chan-nels by February and because. these will be funded entirely by advertising it is far from clear how sitzactive the programmes can be.

Sky television will also have to build up its antience very quickly if it is going to attract advertisers although they will welcome the prospect of an alternative to the ITV compa-

There is also the dangers that with several satellite projects under way planning to use different standards — both BSB and the Maxwell/WH Smith group plan to use D-MAC rather than PAL — the panac ramer than PAL — the politic may wait a while for the dust to settle before going out to buy satellite receiver equipment. Some see parallels with the video recorder market and the battle between three rival extenders with THE contents.

standards until VHS emerged Mr Marcus Bicknell, com-

mercial director of SES, believes that the decision to offer free channels using PAL and subscription channels using D-MAC need not be a problem and might ultimately increase the overall size of the market.

The cons begin by huying low price equipment to watch the free channels and then trade up later by adding a module to his receiver to be able to view the scrambled channels.

Both Mr Murdoch and Astra have, however, first to hold their breath that Ariane's recent run of successful launches continues and that everything works on the Astra satellite before the satellite revolution in Europe really gets under way.

Raymond Snoddy

HARDWARE

Hopes for orders fade

A FEW years ago there were high hopes in the world satellite industry that plans for direct TV broadcasting services would lead to a rush of orders for space hardware. Many of these hopes have,

however, laded.
In the early 1980s it had appeared possible that six or so rival direct-broadcast services could have been operating in the US alone by the end of the decade. That figure could have been added to by a similar number of West European ser-

Each service, according to projections in the satellite industry, would have been expected to require two, some-times three or four, spacecraft designed and built for up to

Such a train of events would have led to a stream of orders for the big satellite companies, which comprise mainly the US giants Hughes Aircraft, Ford Aerospace and RCA (the latter now part of General Electric of the US). European companies such as Aerospatiale, British Aerospace and Messerschmitt-Bölkow-Biohm could also have been in a position to win useful

In the event, the forecasts have turned out to be worfully inaccurate. They have under-

Business projections often owe as much to wishful thinking as to: market research

lined the impression that busimen the impression that obsi-ness projections in the space industry often owe as much to wishful thinking as to hard-nosed market research.

It is in the US where the optimism on the part of the satellite business has most evidently ebbed away. This might appear unusual given the US' reputation of being in the van-guard, certainly shead of Europe, in technological prog-

However, special factors have been at work - the most nave been at work — the most relevant being the comman-sense notion that the heavily-cabled US conurbations already provide many of their citizens with quite enough TV. There was, therefore, a natural distribution by the average. disinclination by the average consumer to want more in the way of broadcast TV from sat-

Another factor that has made Europe, rather than the US, a more receptive place for satellite TV services is its relative size. It is easier and cheaper to design a satellite which will broadcast signals over a small area than a large one. This is a factor of the amount of power that the spacecraft's antennas require to transmit TV pictures and sound over a specific region.
Thus, in commercial terms, a

TV broadcasting service over a European country or region is more likely to be practicable than one which seeks to oper-ate over a much larger land area that is part of the US.



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conventional communications craft that transmit telecommunications traffic. The main dif-ference is that they generally send signals at higher power levels so that the signals can be received by relatively small dish aerials a few feet in diam-

Conventional communica tions vehicles, in contrast, send radio waves at relatively weak power levels which can be picked up only by big dishes along the lines of those which British Telecom operates at Goonhilly Down in

Satellites which use a lot of power are normally hig and relatively expensive, a factor of tha extra thruster fuel and solar panels which they will need to operate.

The more power they broad-cast, however, the smaller and more rudimentary will be the receiving equipment which people will need to obtain signals from the spacecraft on

Thus, for a direct-TV service operator, there is a trade-off between the sophistication of its space hardware and that the dishes on the ground that viewers of the operator's programmes will need to install.

Very high power satellites which transmit at 100W-250W per broadcast channel, will require relatively small aerials of perhaps only 2ft in diameter. A service of this type is planned in the US by Florida-based Dominion Video Satelsatellite operators in the US still in the running.

A report* on the satellite of London says there are 11 US-based satellite TV ventures which are at the planning stage, although the report reck-ons very few are likely to go ahead as scheduled.

Dominion, which plans to channel religious TV pro-grammes to an audience mainly of evangelical Chris tians, hopes to start its broad-casts in late 1989. It has an agreement with General Elec-tric to use a high-power satellite which at one time was to have been used by Comsat, a hig US satellite operator, for a

tomsar apandoned this ven-ture in 1984, leaving the space-craft available for use by Dominion instead. The Florida company hopes that by the end of 1989 up to 500,000 people will have agreed to pay a fee to obtain signals from its satel-

They will be required to put up a one-off payment of \$175 which will provide them with an unscrambling davice to decipher the coded TV traffic from space. The signals will be received with dishes costing about \$475 and made by Radiation Systems, a US electronics

other direct-broadcasting satellites will use less power and will require slightly bigger receiving dishes. In this category are the spacecraft to be used by the Luxembourg Astra service which is due to begin broadcasting later this year. The satellites for this venture are being made by General Electric, while those for another European service due to be started by British Satellite Broadcasting next year, are lite Broadcasting next year, are under construction by Hughes

It seems likely that these two services will be the main commercial TV satellite ven-tures in Europe by the end of the 1980s. Also due to launched over this period are several other government-sponsored TV satellites, such as the Olympus spacecraft being planned by the 13-nation European Space Agency, but the degree to which these will be used for commercial services is

World Satellite Survey by Roger Stanyard, Lloyd's of London, Lime St. London EC3 THA.

some of the

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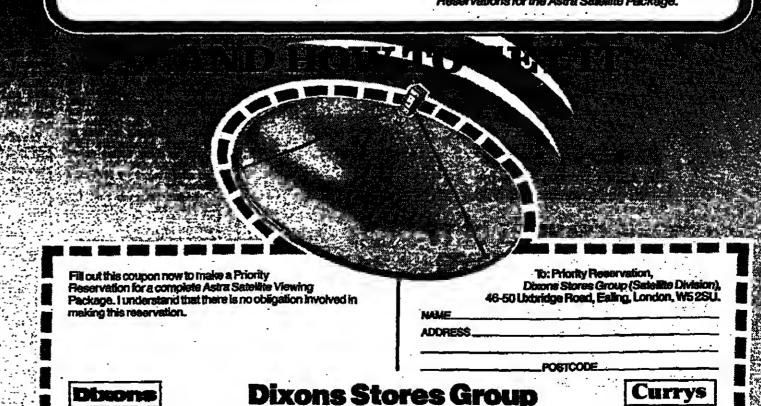
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SATELLITE BROADCASTING 4

MORE THAN three years ago Mr Andrea Caruso, director general of the European Telecommunications Setellite Organisation (Eutelset), warned a London conference bow inefficient it would be if individual countries in Europe leunched their own direct

broadcasting (DBS) satellites. it was too late to do anything about the the first round of DBS launches being planned et the time by West Germany, France, the UK and a group of Scandinavian countries. But surely, Mr Caruso argued, there was no time to lose in planning a second generation of satellites, funded on e multi-netional basis, to meet all of Western Europe's DBS satellite needs for the mid-1990s.

Earlier this month Eutelsat, an organisation created in 1977, completed technical and economic studies for the project that has been called Euro-

EUTELSAT

A second generation

The proposal is to offer all the 26 member countries of Entelsat the chance, as the first generation of DBS satellites begins to age, of leasing high power transponders on two 14-channel satellites placed at the same location. A number of overlapping beams would cater for different regional and linguistic groupings, but viewers in each country would all be eble to point their 30cm receiving dishes at the same point in the sky.

The idea that each country should have its own satellite is about to die. The cost is just too great." said Mr Caruso who

held in Paris this autumn to concedes, however, that he will see how it can be implemented. European governments if Europesat is ever going to fly. Papers have been sent out and there are already signs that the West Germans and the French could be interested. To launch such an ambitious European project in 1995-96, Mr Caruso says decisions should be taken by next summer.

The Europesat project, although it exists at the moment on paper only, is a perfect example of how Mr Caruso sees the role of Eutelsat, a organisation composed of 26 post and telecommunications authorities. The launching of satellites, he emphasises,

is a costly, high-risk business best tackled by internationally-based and financed organisa-

The only credible international satellite systems I know of are those backed by a large number of PTTs (post and telecommunications anthorities] which consider e satellite to be a link in the chain of global telecommunications networks - and not an end in itself," warned Mr Caruso in a speech earlier this year.

It was clearly a swipe at Astra, the Luxembourg-based private sector television satellite project which threatens to provide real competition to Eutelsat's European satellite

monopoly.
With the backing of British
Telecom, Eutelsat's largest
individual shareholder, Astra's
existence was formally recognised on the condition that it offered only television chan-nels and did not market telecommunications services, nor cause material economic damage to Eutelsat. Mr Caruso is not, however, about to hand over Eutelsat's television business, without a fight, to what

be regards as an interloper. Eutelsat has ordered four new medium power satellites et a total price of around \$500m to provide the organisation with extra television and telecommunications capacity

"It is now 99 per cent certain that the first two satellites will be used for television," Mr Caruso said. The first 16 channel satellite is now scheduled for launch in March 1990, and the second the following October. Eech will be powerful enough to broadcast direct to the home and be picked up on 60-70cm receivers. Mr Caruso says he has

already signed options for a total of 41 channels backed by 10 per cent deposits. BT. in addition to marketing up to 11 channels on Astra, has taken an option on eight Eutelsat II channels. The Eutelsat organisation is

now directly marketing its channels to a consortium of British programme providers led by Mr Robert Maxwell, publisher of Mirror Group Newspapers, and WH Smith.

The group plans to scramble the block of six channels, including Premiere, the early run film channel, and offer them as a package direct to the consumer for between £10-£12 a

The consortium has not decided whether to join Mr Rupert Murdoch's planned four channels on Astra, or wait until the launch of the first Eutelsat II satellite. Individual members of the consortium say they have been impressed by the Eutelsat bid

Mr Caruso is now so convinced by the evidence of demand from the market-place for satellite television that he plans to propose a fifth satellite. The final mix between television and telecommunications would depend on demand nearer the time. Earlier this month the fifth

of Eutelsat's first generation of satellites — Eutelsat 1-F5 — was successfully launched by Ariane, ensuring continuity of service until the next genera tion of medium power satellites are launched

When it goes into commer-cial operation in the autumn, Eutelsat says it will have evail-able a total of 38 multi-purpose low power transponders for distributing television channels to cable networks, but also for telephony, data and

With the arrival of both Astra and Entelsat's medium power satellites there will probably be just as many direct to the home channels.

Raymond Snoddy

Financial Times Business Information

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ADVERTISERS

Backing for ITV's rivals

UP UNTIL recently the advertising community was rather cool and uncommitted about the much-heralded Satel-lite TV revolution. Bnt Mr Rnpert Murdoch's announcement last month that his four Skychannels from the Astra satellite would hit the UK next year forced even the most

take notice....

For advertisers the important thing about UK satellite
TV is that Mr Murdoch, BSB

(and possibly Mr Maxwell) will et last provide an alternative to the ITV/Channel 4 airtime selling monopoly that has shackled them for so long. Advertisers and their advertising agencies continually complain about ITV's spiralling airtime rates, a grouse intensified by ITV's failure to stem its recent years advertisers have

had to pay more for less. Now there is an agenda for the break-up of that monopoly. Of course advertisers are pushing for the introduction of an independent fifth terrestrial channel, funded by advertising, and for Channel 4's airtime to be sold separately. But these changes are still on the horizon, whereas the DBS inva-

sion looms near. So will advertisers put up enough advertising money to support all the new DBS channels? The answer is an unequivocal yes, according to Dick Johnson, marketing services director of Procter and Gamble and chairman of the executive of the Incorporated Society of British Advertisers.

Initial low penetration of homes does not perturb advertisers

He says: "TV advertising spending will grow and there will be enough revenue to sup-port all the expected channels Murdoch, BSB and e new

Channel 5."

Advertisers are not perturbed by the DBS channels' initial low penetration of homes compared with ITV's current saturation of 20m living rooms. After all, early audiences and revenues for Channel 4 and TV-am were poor but

soon picked up.
In a recent study, the Institute of Practitioners in Adver-tising predicted that, depend-ing on growth, there could be between £676m and £1.20m (at current prices) available to fund the new channels by 1996. This might include a share for Murdocb "in the region of £150m," assuming he was in 5m homes. Meanwhile BSB expects to claim £376m (some of it from subscriptions rather than advertising) by 1996 on a penetration of 8m homes.

Johnson believes that the Murdoch and BSB channels will be able to attract enough advertising money by "leach-ing the inflation out of the current ITV system," as he puts it. He backs the IPA view that ITV's income will not drop in the 1990s but level off as the new channels claim their share of the enlarged overall TV advertising cake.
Currently UK TV has a 32

per cent share of all ad spend. But this share could grow. according to Mike Schlagman sales director at Super Channel, the Pan-European satel-lite-to-cable station controlled by Virgin and backed by several ITV companies.

that advertisers are rooting for the DBS options and are hoping they will help bring the ITV companies to heel. Murdoch, Maxwell and BSB could "TV's share could rise to as benefit from early advertising

pean chance.

RECEIVING EQUIPMENT

Gearing up for domestic demand

waiting for the satellite receiver market in the UK, and indeed the rest of Western Europe, to take off for a long time. Until now it has stub-bornly refused to do so, although companies such as Megasat have, with a careful mixture of supplying to professional as well as domestic many minds and generated

users, built e business expected to have a turnover of 25m this year. Others have not been so lucky: a number of companies which believed the market rush was just around the cor-ner, and invested heavily in

stock, have gone out of business. The most recent casualty was Skyscan, one of the better-funded businesses with all the muscle of Mr Michael Green's Carlton Communica tions behind it. Skyscan, which ordered about 10,000 systems, found that the market was simply not big enough for its 1.2m and 1.8m dishes. The remain-ing stock has been sold off at heavily discounted prices and the company has ceased trad-

Three years after the Department of Trade and Industry made it legal for individuals to have their own satellite receiv-ing equipment in the UK, around only 5,000 of the once-and-for-all licences have been taken ont. The industry believes, however, that the overall size of the market in the UK is closer to 15,000, with more than 30,000 across West-

ern Europe.
With the edvent of the higher power satellite projects such as British Satellite Broadcasting, Astra and Eutelsat 11, all the leading consumer electronics companies are gearing up for what they believe will be an explosion of an impor-tant new consumer product the direct-to-the-bome (DTH) receiver with a dish aerial any-

much as 40 to 45 per cent, in which case there would be

plenty of room for the new channels. Both Murdoch and

BSB would be able to survive, not one or the other," he says.

But this new competition

will not necessarily mean that absolute TV advertising costs

come down. There will not be

more customers watching TV,

instead the gross audience will

continue to decline and be

spread more thinly over more channels. In 1985 Britons

hours of TV per day. This has dropped steadily to the 3.93 hours recorded at the start of

Thus the cost per spot per channel will be pushed down

by the stronger negotiating

hand of the agencies. But, as audiences fragment, commer-cials will reach fewer people

and advertisers will have to spend more to maintain audi-ence levels. Agencies, too, will have to spend more on man-

power, research and phone calls and this cost will be passed on to advertisers.

But this increased fragmen-

tation will make "narrowcast

ing" (reaching discrete target

andiences) cheaper for some advertisers. We will see a

move to more magazine-type

buying and there will be less wastage as advertisers go after specialised audiences like

young people and business-men, says Nick Henley, inter-national media manager at

multinational agency McCann-

Henley also believes that in the UK and Europe advertisers

will increase their TV spending in other ways, such as sponsor-ship, and by the production and supply to TV stations of

programmes bearing product

It is delivering targeted audiences across Europe that is the

last real hope for the so-far unprofitable Pan-European TV

channels, according to Zed Zawada, the sales director of Europe wide pop video channel MTV who recently resigned.

Both the Pan-European Sky Channel and Super Channel

have failed to return profits on annual revenues of around

£13m and £7m respectively, and have fruitlessly undercut each other's rates in a price

Zawada believes Murdoch's

virtual overnight decision to

switch Sky from the Pan-Euro-pean model to e national one,

concentrating on the UK, is proof that "the concept of a

Pan-European general enter-tainment channel is doomed to fail". He says: "Advertisers will

only support a true Pan-European channel when it provides

an identifiable market place of people who want to buy spe-cific types of products so that national boundaries are irrele-

vant." He says streamed chan-

nels covering pop, news, business and sport are the only ones with a slightest Pan-Euro-

Back in the UK, it is clear

watched an average of

The announcement by Amstrad that it will be producing basic receivers at a retail price of £199, which will be able to pick up Mr Rupert Mur-doch's planned four channels on Astra, has concentrated

some hostility.

Mr Terry Fitt, satellite receiver specialist at Dixons, the retail group which will the retail group which will take around 500,000 of the Amstrad dishes, has no doubts about the potential of the business. "We can see that there will be very heavy volumes sold," Mr Fitt says.

Mr Simon Orme, sales manager in the UK for NEC, the Isospess electronics company.

Japanese electronics company, argues that the Amstrad cutargues that the Amstract curprice philosophy is wrong because when people buy a satellite system they want to be able to receive every available channel. We do not believe they will be hoodwinked into buying a low-cost system which can only pick up half the output from one satellite."

Not only are the three main satellites in different positions in the sky but three incompati-ble standards will probably be

There are growing worries in the consumer electronics industry about the current level of hyperbole and the dangers of confusion in the public mind. Many believe both costs and difficulties are being underestimated. For instance, there has to be a clear line of sight from the receiver to the satellites which are in the south-west and south-east sector of the sky and adjustment has to be accurate within fractions of a degree.
British Satellite Broadcast-

ing has set e target retail price of £200 for its receiving equip-ment using the sophisticated

investment here, based as

much on a protest vote against

the TTV monopoly as on pure

marketing reasons.

But any early generosity will evaporate if ITV starts to

deliver the audiences advertisers want at a price they like. Schlagman says: The new satellite channels will grab a sym-

pathy vote early on from advertisers - that won't be dif-ficult. But will they be able to

hold their revenues after dere-gulation of the terrestrial sys-tem? That will be the real bat-

tional access system produced by General Instrument of the

Fifteen companies are being considered as the exclusive BSB suppliers for the first three years of the project. They are: Amstrad: Bosch; Finius; General Instrument; Grundig; Hitachi: NEC: Panasonic; Phillips; Salora; Sony, Tatung; Ferguson; Uniden; and Wolsey.

Between three and five of the companies will be selected.

Several of the applicants such as Phillips and NEC say. however, the price is more

however, the price is more likely to be between £400 and £500, rather than £300.

Mr Michael Jones, of Wolsey Electronics, a subsidiary of the AB Electronic Products Group, is more optimistic and believes it might be possible to get closer to £250 for the BSB equipment, although the price of all the components is not yet of all the components is not yet

Like many of the other suppliers, Wolsey is looking at a range of equipment – around £200 for a basic PAL receiver, £250-£300 for a middle range receiver, and between £700 and £800 for a motorised dish that can move between all the satel-lites and handle the different standards.

The practical difficulties of receiving all the satellite channels are enormous, be believes. Astra and BSB, Mr Jones. points out, will be 50 degrees apart in the sky, so a very wide clear line of sight would be required without anything like

tress or walls in the way. Mr Peter Grimes, e director and general manager in the UK of Uniden, the Japanese com-munications company which had a turnover of \$500m last year, emphasises he has no intention of rushing blindly into the market. "But I think that satellite television will be phenomenal - one of the big-gest markets in the 1990s

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4- 75

A STATE OF

across the board," he says. Mr Graham Lawson, manag-ing director of Megasat, plans to introduce in January a £366 system with a simple motor which will be capable, be says. of handling both Astra and BSB. A more sophisticated version to receive "the lot" will be around £600.

Mr Lawson, who has been in the business since 1981, will, however, be moving cautiously with plans to increase sales to 20,000 a year. "I am not going to risk everything in search of a pot of gold that may or may not be there," said Mr Lawson. Raymond Snoddy

Martin Lost

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SATELLITE BROADCASTING 5

British audiences are unlikely to want more of the same

Schedules and information

need much improvement

SATELLITE television will stand or fall - fly or plummet - on the quality of its pro-

That is no mere truism. That is no mere truism. Indeed, it may be that the British experience will prove quite different from anything so far seen in the rest of the world. In the US the take-up rates for new transmission technologies, cable and cassette as well as satellite, have been governed to a large extent by the erned to a large extent by the poor quality of signal received by so many viewers from con-ventional terrestrial systems. To take an extreme example: people living in the Rockies

have been willing to pay thou-sands of dollars for big domes-tic satellite dishes simply in order to receive a recognisable

Furthermore, American operators of the new technolo gles seem to have benefited from irritation among viewers about the intrusive frequency and length of commercials in the US. People have been willing to pay for new services partly because they promised fewer interruptions from

In Europe the chief attrac

At present Air Call, which is

cheaper than Datacast, sells a 1200bps terrestrial bandwidth

for about £180,000 a year,

whereas BT prices satellite bandwidth at about £30,000 for

64kbps. How on earth does Air

Call sell this capacity at such a

good price? The answer is that first, receiving decoders for the

Air Call service from suppliers

like IGG and Bishopsgate cost about £250 to £350 and aerials

cost some £150 installed.

Receiving stations for BT's satellite services can cost 10 times

this. Second, BT appears not to

have been marketing the ser-vice aggressively and has been

hidebound by legislative barri-

about 4x14Kbps bandwidths have been released to date.

With high power DBS there will be low cost receivers and dishes backed by players with big bandwidths and money

The satellite DBS programme operators have to

decide how much capacity they will release for non-entertain ment purposes. News Interna-tional has opted for PAL which

only allows about 154Kbps per

DMAC, gets 1 Megabit per sec-

Then there are the existing

low power satellite operators

which, presumably, will be looking for customers as the

TV operators move away to the

higher powered transponders. From being limited by broad-

has just been successfully put into orbit. This scenario must reduce the price the terrestrial

people have obtained hitherto but the high power DBS tran-sponder operators should be able to command a higher

price than BTs £30,000 a year

for 64Kbps.

Data broadcasting operators must put the technical aspects of bandwidth in their proper

place, certainly in relation to the key issue of marketing.

Gone are the days when cus tomers queued up for tele-phone and telexes as the only means of rapid communica tion. The choice factor has forced all successful vendors of

Home shopping must be one area that has great potential in the

domestic market

management rather than band-width. The packaged solutions from Bishopsgate and IGG include special terminals and the very important special soft-ware, as well as the bandwidth

in a one-stop shopping service, be it in financial, retail or edu-cational sectors, though not

yet domestic.

A big unanswered question

hangs over the domestic mar-ket, remembering, of course, that DBS is designed for the home. Will News International, for example, extend the print-

ing of newspapers to the Amstrad home printer attached to an Amstrad PC and

attached to an Amstrat C and Amstrad PAL receiver? Tele-text, after all, is a newspaper of the air. Certainly, business, or even sports news could be dis-tributed in this way.

Heme shopping must be one

area with the greatest domestic potential. Chris Curry's Key-line home shopping terminal, to be given away to two mil-lion homes by 1982, will not replace the Kay's beautifully

prepared home shopping cata-logue. Colour still frames, indi-vidually delivered via satellite

to domestic receivers, is an alternative — Tandata has already demonstrated the technology in Scandinavia. If the 2 million households had rewritable CD disk players, Kay's propid really have an alterna-

would really have an alternative to the catalogue.

ond per channel.

nnel, whereas BSB, using

with which to exploit it.

The satellite scene will now change rapidly. The terrestrial players have been limited by

Swift means of delivery

HIDDEN FROM the glare of Ireland, together with the publicity surrounding the existing two terrestrial serpublicity surrounding the imminent arrival of a multitude of satellite TV stations is the potential for using the unused parts of the TV bandwidth as a mass distributor for

Until recently, such a sensible usage of spare transmission capacity was illegal in the UK, except for teletext services. In 1984 there was a change in reg-ulations which permitted the BBC and IBA to run encoded data over their terrestrial TV networks, thus providing a vehicle for subscription data

The BBC provides its own Datacast service but the IBA decided to license a third party to do it for them and chose a joint venture company set up with telecomm value added provider and cellular retailer, Air Call, as majority partner with Oracle.

Data broadcasting services solve a data delivery problem

Successful vendors of new services have had to learn the skills of marketing

not easily provided by telephone company circuits which are point to point in nature rather than the point to multi-point nature of broadcasting leuters and the Internation Stock Exchange were quick to grab a slice of Air Calls, and the BBC Datacast's bandwidth respectively, followed by betting shop chains: Ladinesses and Coral Racing. Hore recently, the Halifax Building Society is to distribute information and advertising in the form of high resolution NAPLPS graphics to costomers in its retail outlets.

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cast capacity, data service operators could soon be spoilt for choice, assuming the satellities are successfully launched and the first, Panameat which some see as suitable for data, The advantages offered to information publishers in using data broadcast services rather than telephone lines are that where the same information is to be sent to a large number of recipients, data broadcasting is not only much cheaper, but the information arrives virtually instantaneously and atmultaneously to receivers in all parts of the country and, for satellites, all parts of Europe.

parts of Europe.

Additionally subscribers to these services need not do anything difficult like log on to some remote database to receive the information, but can happily wait until their terminal is given, instantly if required, that withil bit of information they are waiting for. All users need is a suitable aerial, regular TV or dish and suitable decoder feeding a PC or alternative processor, storsuitable decoder feeding a PC or alternative processor, storage or display device. New users can be hooked up very quickly. The information supplied is normally addressed and scrambled. This allows a message to be received by one person only, or any number.

Recently the Department of Trada and Industry has announced that it will license six special satellite service operators, and expects to new telecomm services to learn the skills of marketing.

The present operators in the field have found that custom-ers need solutions and network six special satellite service operators and expects to announce the inchy ones late this year. Many, no doubt, will apply for whole transponders for video conferencing and others will aquest access to the unused parts of the TV transponders. The best deals will largely be determined by two factors the price the licensee can negotiate for satellite capacity, and the price of the user's seceiving stations, which is determined by the transmitter power in the satellite and the purpose for which it is used.

In large network data broadcasting systems the largest cost element will be the user's receiving station, and in this regard the dishes and decoders distributed for DBS must have the cost edge and will be very suitable for services requiring up to 26 kilobits per second. Of course these decoders will also receive full field data, that is full TV bandwidth, which capacity restance or transporfull TV handwidth, which capacity, network or transponder owners may well wish to sell to date broadcasters when entertainment TV is off the air.

What is this hitherto unused capacity worth to the broadcaster? This is going to be a highly competitive field, with six licensed satellite operators linking up from the UK, plus BT and Mercury, plus operators outside the UK from France, Germany, Italy and France, Germany, Italy and

picture from the standard ABC, NBC and CBS network

has been quite different. Throughout most of the history of television many viewers on the Continent have been starved of light entertainment. In France, Italy, Germany, Spain, and elsewhere public service broadcasters have been the dominant and, in some

cases, the sole programme pro-viders. An audience fed largely on a diet of news, current affairs, serious drama, religion, opera and so on is a relatively easy target for a service such as Sky with its American action series, sport, and light enter-

None of these reasons for taking satellite services exists in Britain. For many years the overwhelming majority of Brit-ish viewers have been able to receive a high quality terres-trial signal (with the PAL sys-tem, incidentally, delivering better colour and a better picture generally than America's

Any British viewer impatient with commercials can watch the BBC channels which are free of them.

And while the British may not have had as much light entertainment as the Ameri-

cans, they have certainly not assertion that satellite services been starved of it; BBCl and in Britain will depend for their ITV have long provided a plethora of game shows, soap operas, sitcoms and light

The way in which videocassette recorders are used in the UK and the US also offers a clue to possible differences in reactions to satellite services.

Whereas Americans bought VCRs primarily to play rented cassettes, in other words, as a way of watching less network

success on the quality of the

programmes.
Operators of DBS channels will have to persuade viewers, who are already saying that there is more television than one person can watch, that they should spend a considerable chunk of disposable income on increasing the quantity of television entering their

As with items such as per-

There will be AB trend-setters who will buy satellite dishes regardless of the programmes

reached a 50 per cent home penetration faster than any other populations - have used their machines largely for time-shifting (recording one programme for viewing later, while watching another): in other words, for watching *more* network television.

What all this suggests is that the British are remarkably pleased with their existing television services, and that is, indeed, what surveys on the subject conclude. Hence the

television, the British - who sonal computers and CD players, there will doubtless be AB trend-setters who will buy satellite dishes regardless of the programmes offered, simply to be in the vanguard with a new toy. Towards the other end of the social scale there will no doubt also be a number of early buyers who will see Mr Sugar's dish as a more impor-tant status symbol than a new

car number plate. But it seems likely that - as exactly what programmes they can expect from the new ser-vice before they will even con-sider forking ont £199. And the schedules will surely have to improve dramatically compared to what is currently on offer before most people will risk that new outlay.

Take an evening at random earlier this month: Thursday, July 7. Being near the start of summer, it was not one of the most impressive evenings for terrestrial television; there were numerous repeats. Here is BBCI's evening schedule: 7.00 Top Of The Pops 8.00 Brainstorm (Kenny Everett's science quiz) 8.30 Bread (sitcom repeat)

9.00 Nine O'Clock News 9.30 Mercer Play season: Let's Murder Vivaldi (1968) (Esther Rantzen and Mary Tyler Moore) 1.05 Speaking To Each Other

(celebration of BBC regional broadcasting). Against that, Rupert Murdoch's Sky Channel was offering this:

6.30 The Incredible Hulk cable operators have discovered in Britain — the mass of ion news and reports)

8.58 Headline New 9.00 Monroe Indy/C.A.R.T. World Series 88

10.00 The Great Video Race 11.00 Masters Of Rock. ITV programmes that night included the game show Lingo. This Week, and a repeat of the police series The Bill. Channel

4 offered the second episode of the Enropean co-production drama Fathers And Sons and a 60-minute interview with Viv Richards. On the Super Channel satellite service meanwhile you could have: 7.00 Baseball 8.00 Basketball

9.35 Golf

11.40 Music Box (rock and pop).
It is difficult to believe that a

great many British viewers would be willing to spend much money to gain access to satellite schedules of that sort, given the programmes already available in their homes. Some, presumably, would

pay the price for a service which included a news channel (promised in the Murdoch package) and in particular a film channel (this has been promised by several potential satellite operators, including Mr Murdoch).

Even here, however, it is instructive to look carefully at what is being provided already. On Thursday, July 7 Channel 4 offered the 1946 Ealing film Hue And Cry at 5.00, BBC2 screened Abbott & Costello in Here Come The Co-Eds at 6.00, and Channel 4 showed The Beads Of One Rosary (Polish,

On the same day the existing satellite film channel Premiere provided this schedule:

6.15 Phase IV 7.35 Crime Story (presumably the "special" launching a new American TV series) 9.15 Melani

11.05 Spown Of The Slithis 12.30 Up From The Depths. And the list for Filmnet, the other existing satellite film channel, over the same period 6.00 Fire With Fire 8.00 The Amateur (1982) 10.00 Age Of Consent (1969) 12.00 Runaway Train (1985).

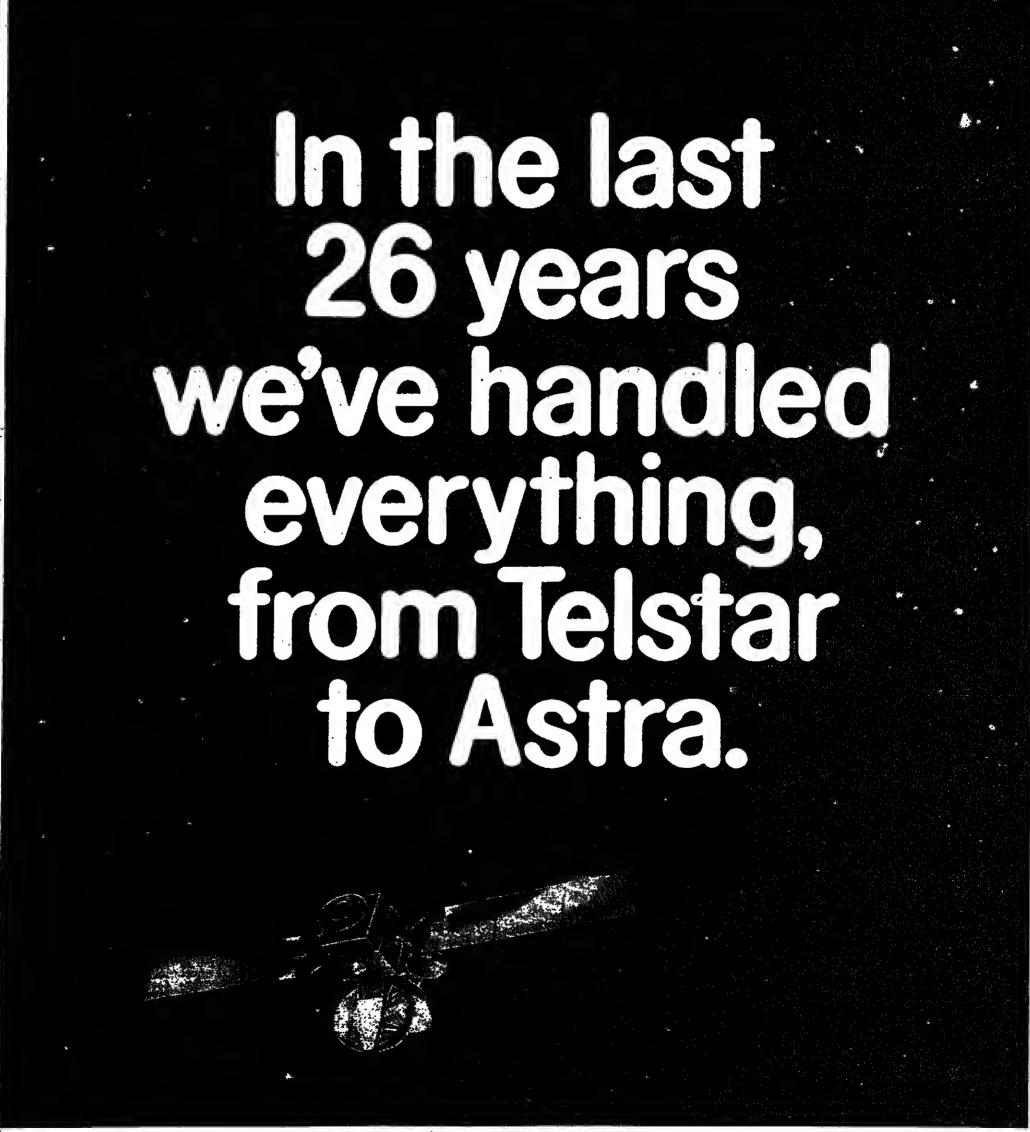
In many cases, it is impossible to discover very much about these "films" since even Satellite TV Europe, the monthly listings magazine which publishes satellite schedules prints merely the schedules, prints merely the title and certificate and no other information.

Quite a number appear to have been produced specially for the satellite/cable/cassette market, and are not (yet) listed in any standard film encyclo-

But even without any background information, it seems likely that a radical improve-ment to such schedules would be needed before any significant proportion of British viewers would consider spending three times the licence fee to acquire four - or even 10 -

Programme quality will be

Christopher Dunkley



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Fragmentation as viewing levels fail to rise

IN 1988 the average American will watch about three and a half hours of television daily, much the same as his British counterpart. His viewing will rise as in Britain, to a peak of four hours daily in the winter and fall away to three in the summer. This indicates that the arrival of satellite television, and the explosion in the number of channels and proammes available, is unlikely to lead to big increases in viewing levels in Britain.

But there the similarity ends. British homes now have a choice of four channels: American homes get, on average, 21 channels, and one in three get 30 or more. Hence in the US the market is totally fragmented by channels and viewing patterns. Half of all American homes subscribe to cable; and two out of three of those also pay extra to receive a film channel devoid of adver-

This makes the advertisers' buying of TV airtime much more difficult than in Britain: there are many more opportu-nities to buy television airtime, but selecting the right package of channels and programmes to reach target audiences effectively and economically demands a very different approach to that practised in current quasi-monopolistic British market.

Negotiation becomes cutthroat; audience delivery guarantees are demanded and obtained; and buying is programme-based rather than time-based: if peak time is divided between 30-plus channels, then buyers must estimate what a previewed programme will deliver across ime, not what a given timeslot will provide. Hence television negotiators need to become experts at predicting programme audiences; to be equally expert at evaluating TV programming, at negotiation and at using TV audience

This constant competitive search for fragmented audiences, and the total financial dependence in the US of television on advertising revenues and private household subscriptions, has led to television being accepted largely as entertainment - and to airtime being hought and sold as a In Britain DBS penetration commodity.

The three main networks, which still hold a two-thirds share of peak-time viewing across all American households, offar in peak-time an

almost continuous diet of game shows, sitcoms, TV drama, adventure and movies. Competition in Europe has produced a similar trend; a recent study showed that the peak-time entertainment content of state broadcasters across Europe has increased from 46 per cent in 1985 to 56 per cent in 1987: a rise of well over 20 per cent. This is largely a result of increased competition from new private chan-nels, which offer peak pro-gramming 80 per cent dedicated to entertainment. and audience share will simi-larly be the critical factors that govern the advertising revenues of the new channels. In the US, the share of audience in all cable homes of all cable channels is about 33 per cent, led by the film and general entertainment channels; in Britain in cabled homes the share of cable has consistently been at about the same level. again led by film channels like Premiere and entertainment channels like Sky and Super Channel.

In America it has taken 20 years for penetration to rise from under 10 per cent of homes passed by cable to the current level of 66 per cent. In Britain, in the new-build broad-band cable towns, snb-

The search for audiences has led to television being accepted as entertainment and to airtime being bought and sold as a commodity

As competition for audiences creases (the same levels of viewing as now in Britain, competed for by more more and more channels), so will the proportion of entertainment increase as opposed to news. current affairs and minority "serious" programming. This does not necessarily mean a reduction in the hours of TV programming devoted to these subjects; just an increase in the total hours devoted to entertainment.

The reason for this comes down to economics. In 1982 television advertising revenues in the US were \$14bn, of which 45 per cent went to the three networks; by 1987 their share of total TV advertising reve-nnes had dropped to 35 per cent and it is forecast to drop yet further in the next few

The main beneficiaries of this will be the cable channels and the syndicators, indepen-dent producers who provide programmes to the local sta-tions with the advertising fully or partly pre-sold. But cable did not begin to take a significant share of American television advertising revenue until 1986 when penetration came close to the magic 50 per cent

scription levels now run at close to 20 per cent of homes passed after just three or four years. This provides a base for some optimism for the take-up

The best estimate for DBS is that — subject to dishes and decoders being priced at under £250, to effective marketing and promotion, and to good quality entertainment programming - it will reach 600,000 homes by the end of Year One, 26m by the end of Year Three and close to 5m (24 per cent of the total) by the end of Year Five. This could, at today's prices, gave it advertis-ing revenues of some £150m by 95, a 7.5 per cent share of a television advertising market worth by then £2bn at constant prices. But this is dependent on many variables, and the reality could be very different.

What then are the implications from the US for the changing British scene? The first is that total viewing levels will rise very little, if at all; hence, more channels and programmes will divide up the total audience cake. With this increased audience fragmentation, time-buying practices will change and become based more on the programmes and

less on the time of day. There will be a move towards the buying of programme packages with guaranteed audience

At the same time programming will become more entertainment-led: and American practices like syndication and programme bartering will emerge, with more advertiser influence being exercised on programming than at present. The new DBS channels will erode the existing BBC and ITV audience, probably reach-ing a 30 per cent share in DBS

This erosion will be particularly marked in young family homes. They will be the first to buy dishes and will be most prone to viewing the entertainment-led programming coming from the new satellite chan-nels. As the under 35s already watch far less television than the over 35s, and as it is this group which will first take DBS, the battles will be waged between channels, programmes and advertisers to reach the younger, more affinent "kids and adults" families of Britain.

Across Europe the same pattern will emerge. In some countries, lika Belgium and Holland, the distribution of the new satellite channels may well be mainly through cable, as cable penetration is already high. In others, where cable penetration is low or non-existent, direct broadcasting to the home via small dishes may become the norm. And in others the two distribution systems will exist aide by side, each complementing the other.

In the US, close to 80 per cent of homes are passed by cable, but the remaining 20 per cent - close to 20m - could prove fertile ground for DBS.

The important changes over the next decade will not, however, be bow television is distributed but what program-ming the channels provide, how the channels are financed and how the European public responds to more choice, more entertainment, more television advertising and more subscrip tion television. It will be an exciting decade.

John Clemens

Unexpected consequences

SCANDINAVIA

IN AN Aerospatiale laboratory in Cannes, France, sits a fully-paid for satellite which nobody wants. It is Tele-X - representing some £170m contributed by the tarpayers of Sweden, Norway and Finland.

Originally conceived as an industrial development project by the three governments, Sweden put up 82 per cent of the cost, with Norway and Finland contributing 15 per cent and 3 per cent respectively. The main contractor is Aerospatiale of France, but Saab and Ericsson of Sweden, Elektrisk Byra and Kongsberg of Nor-way, and the Finnish firms of Nokia and Valmet, hold subcontracts.

The Tele-X satellite is virtu-ally identical in design to the unfortunate TV-Sat bird, the recalcitrant solar wings of which put an end to West-German direct broadcasting hopes Intended for Sweden's WRAC orbital slot of 5 degrees east by an Ariane launch, it carries three full-power DBS television transponders, plus transponders for data communnication.

The three television transponders were offered to the state broadcasting organisa-tions of the three Nordic coun-tries, but these, already starved of cash, and being offered no additional funds to supply the programmes, even-tually declined the offer. A search for other acceptable users of the television channels has so far yielded no takers. Efforts to find customers for

Tele-X's data-carrying capacity have been almost equally unsuccessful. The telecommunication administrations of Sweden, Norway and Finland have invested heavily in terrestrial fibre-optic communication systems and so were uninterested in satellite capacity. The only potential customer for data traffic on Tele-X is the Swedish Kinnevik conglomerate, which nurtures ambitious

plans for an international tele-

Channel - has already made a significant impact on the Nordie hroadcasting scene.
although hardly the one
intended by its progenitors.

The programming fare sup-plied by the state broadcasters of the Nordic countries has traditionally been low on entertainment, majoring on infor-mation and current affairs. The satellite channels delivered the longed-for entertainment, espe-cially pop music, and reached a

it seems there is very little salvage value, since most of the money, including the cost of the launch, has already been paid. The prospect is that Tele-X will be up there, slient and unwanted

communications project.
The gigantic (4,400lbs) Tele-X is due to be launched from Kourou, French Guiana, in bruary or March next year. The three Nordic governments must now be considering whether, in the circumstances, Tele-X should be launched at all. But it seems there is very little salvage value since most of the money, including tha cost of the launch, bas already been paid. The prospect is that Tele-X will be up there, silent and unwante

However, if Scandinavian DBS looks like being moribund, even before launch, satellite television - in the shape of Sky Channel and Super-

significant number of television homes through rapidly developing cable networks They made a considerable

impact.
These satellite services also provided the first opportunity to reach Swedish, Danish and Norwegian audiences with television advertising.

It did not take long for Sky

and Super Channel to be seen as a threat to national interests in Nordic political and business circles. This sense of threat has been strong enough to overcome the deep-rooted and widely-felt aversion to advertising on television. The result is that in Denmark a second television net-

work, financed through the sale of advertising, goes on the air this autumn. In Norway parliament is currently in the process of passing legislation which will introduce advertising on the existing state televi-

sion network.

Sky Channel and Super Channel, having served as catalysts, will now get powerful terrestrial competitors broadcasting in the national idioms instead of in Pan-European "English". The outcome of the battle is not difficult to fore-

Only Sweden has, so far, resisted bringing in terrestrial television advertising. But the successful launch of TV-8 - a cable-distributed satellite service owned by the Swedish

Kinnevik group - has had a significant impact on the sing-

tion.

TV-3 quickly sequired images tent programming, such as exclusive Dianey films sour rights to tennis tournaments featuring Sweden's leading players. At the start of TV-4 there were ham-fisted — still spectacularly unsuccessful. spectacularly unsuccessful attempts by the Swedish authorities and state television to frustrate the activities of the new service. All this has resulted in a political consensus in favour of creating an advertising-financed competitor to existing state television

Only the elections in Swe den, set for mid-September, have put things on hold. Most observers agree that terrestrial commercial television is bound to come, regardless of the political hue of the next govern-Finland, finally, already has two terrestrial advertising-fi-

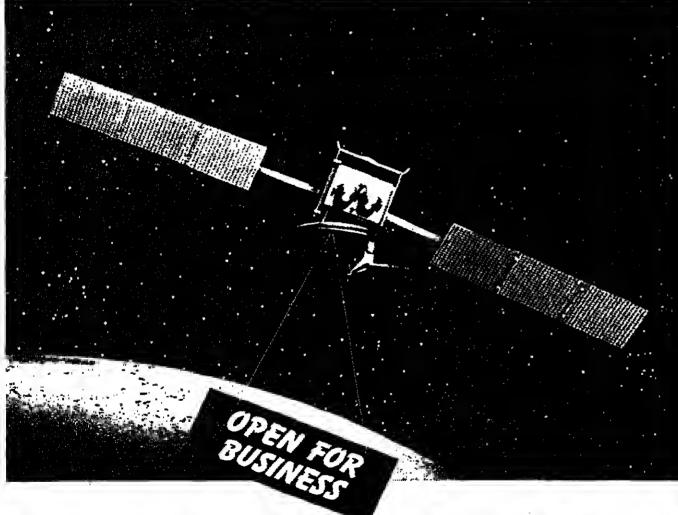
nanced networks, a license fee-supported state television network, and a devoloping pay-television service through cable — a lot of television for an under-populated country. The strains, especially in terms of the elasticity of advertising mand, have begun to show. The prospects for satellite television in Scandinavia especially via direct broadcasting to homes - is not very rosy. The multiple housing prevalent in urban areas is not suitable for individual dishes.

Cable - especially of the fibre-optic variety - is well advanced. The cable operators are obviously interested in being able to carry as many international satellite signals as possible; the capacity of the fibre-optic networks is immanse. But Nordic andiences prefer programmes in their own languages to foreign language broadcasts.

The outlook for English-language programme operators hoping to tap the well-heeled Nordic consumer markets via Astra is unpromising: English is unlikely to become the lingua franca of Northern Europe. This reality, however, does not seem to be deterring the media

Gunnar Rughelmer

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the language THE FRENCH broadcasting lites, combining television industry has been undergoing broadcasting with telecommu-

FRANCE

Ambitions for

a major revolution during the last few years. Deregulation and privatisation has seen the arrival in France of the Canal Plus pay-television network; two new private national chan-nels; and the sell-off to a consortium headed by Mr Francis Bouygues, the French con-struction magnate, of the country's leading national television network, TF1.

France today has six national channels, ambitious development plans for cable television, and numerous projects to associate new television broadcasting technologies with value added telecommunications services. It also has nestanding amhi become a major player in the television satellite market. The French authorities have,

during the last few years, become increasingly anxious to ensure the broadcast and export of French-language pro-grammes to counter the growing Anglo-Saxon dominance of

The new channel plans to adapt the British Open University concept

the telavision programme industry. At the same time as confirming the strong commitment of France to new space technologies, satellite broad-casting is also regarded as a crucial component in the forth-coming battle between Euro-pean television equipment manufacturers and the Japanese to dominate the standards and future developments of the new generation of high defini-tion television.

The stakes are particularly high for France where the state-controlled Thomson electronics group has recently invested heavily to increase its critical size in the television market by acquiring in the US the RCA electronics brown goods division of General Elec-

But despite France's ambi-tions in satellite broadcasting, the issue has been the source of a long and heated debate in the country. Indeed, the new Socialist minority government of Mr Michel Rocard must decide soon on the future of France's controversial direct broadcasting satellite programme which was launched with a great fanfare and at great cost by former President Valary Giscard d'Estaing back in 1979.

From the beginning, the programme was regarded as a further step to reinforce Franco-German co-operation. The direct broadcasting satellite plan involved joint collabora-tion with West Germany, with the two countries developing their respective satellites.

The controversy in France centred on the opposition of the country's telecommunication authority which regarded the French TDF1 direct broadcasting satellite as a mistaken technological choice. The tele-communications lobby argued that the technology used in the TDF1 satellite ground in the television broadcasting TDF1 satellite was already being overtaken by new tech-nologies using smaller satel-

nications services. But the heavy investments

poured into the programme by the French government made the authorities reluctant to abandon the TDF1 programme. However, the government has sought to find a compromise with the private sector to finance the programme. The previous right-wing government of Mr Jacques Chirac had, for example, agreed last year to foot the bill of FFrzha (£190m) for the TDF1 satellite on condition that its planned sister satellite TDF2 was financed by the private sector. The French direct broadcast-

ing satellite programma received another blow this year when its German cousin TV-SAT was bedevilled by technical problems after being launched into orbit. The problems of the German satellite provoked new doubts in France on the viability of the TDF1

programme.

However, TDF1 is still scheduled to be launched into orbit
by the European Ariane rocket
in October. The satellite will
have four visual channels with 16 sound channels, allowing each television channel to broadcast in four different languages across the whole of Europe. One channel has been allotted to la Sept, the new French cultural television

The French government, which has actively supported the creation of la Sept during the last two years, regards the new cultural channel as a European venture and not just a French service. Mr George Duby, the chairman of la Sept, recently emphasised the pan-European character of the channel which plans to air a wide variety of cultural and educational programmes at the beginning of next year — that is if there are no more prob-lems with the TDF-1 satellite timetable.

The new cultural channel has already negotiated a large number of joint productions with major European television networks, including the recent signing of a five year co-production agreement with Channel 4 in the UK. The la Sept project was originally set up two years ago with a capital of FFr60m. Its_shareholders incinde the French state regional network FR3, the French government and a number of other state broadcasting bodies. As well as broadcasting films, theatre, opera, and documentaries, the new channel is planning to adapt the British Open University concept on a European

Apart from the big industrial stakes of satellite broadcasting for France, the government is also under pressure to take a swift decision on the future of the French direct broadcasting satellite programme because of the rising competition of rival Luxembourg and other international broadcasting satellite projects. This pressure and competition is likely to increase sharply in coming and internationalisation of the sector.

Paul Betts



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SECTION III

FINANCIAL TIMES



The Isle of Man economy is booming. Unemployment is under 4 per cent. There is a rash of

new office building for a growing financial sector. The island has also just passed an important test of its regulation of this industry. lan Hamilton Fazey reports.

A boost in stature

THE ISLE of Man has been put to a severe test in the last 12 months, but passed it with no small degree of satisfaction. Mr Peter Clowes, founder of the defunct Barlow Clowes investment group, twice tried to use nominees to buy banks on the island, but failed.

The island's supervisory machinery — through which the growth and operation of the rapidly developing finan-cial sector is being controlled

Confidentiality surrounds all applications for banking licences, but this is a case where the island's government has not minded the leak. It is good news for the blue-chip bankers from around the world

it wants on the island. Not only has it demonstrated resolve but it speaks volumes for the financial supervisors' intelligence network, for they were wary enough to say no at a time when the Department of Trade and Industry in the UK was about to re-licence Mr Clowes' operations on the

There is now a very obvious schadenfreude on the island at the discomfort of the DIT in Britain and of the authorities in Gibraltar - where Mr Clowes had substantial off-The Manx companies regis-

try has been combed and the only strong connection found has been his involvement in Corporate Aviation, a company which markets executive jets and helicopters. Mr Clowes was a co-director with Mr Peter Henwood and Mr Andrew Sebastian, his known associ-ates on the island.

Mr Henwood and Mr Sebastian have since been trying to distance themselves from Mr Clowes. However, he also tried to hny their own main, privately-owned business, the International Trust Corporation of

amsey. Negotiations were close to completion when the Stock Market crash of last October wiped out the value of shares in the publicly-quoted James Ferguson Holdings, the Barlow Clowes parent, with which paper Mr Clowes intended to

Mr Clowes could have done what he liked with the corporation had be managed to huy it, so this near squeak has raised questions about the regulation of private trusts and, indeed, other Manx-registered compa-

Tighter control of the companies register was already on its announced by the island's attorney-general last year - but is stalled by an argument about whether



Douglas harbour, Isle of Man

inspectors should have the right to strike off businesses the island does not want or wind them up instead.

The difference is a practical one involving means and costs. Winding up would require the appointment of a special manager and showing cause in the courts. Apart from the cost to the taxpayers, there is a shortage of chartered accountants on the island, and it is from their ranks that special managers would have to come.

Striking off would be cheaper - and would put the onus on the company to show cause why it should not be. The argument is between law officers, who do not want to risk possible injustice, and experienced financial supervisors, who can easily spot some-thing undesirable - but possibly not illegal, or unprovably so, within the island's jurisdic-

It is interesting that this debate is even going on at all, for it demonstrates how far the Isle of Man has come in the six years since it woke up to the fact that it needed the sort of supervisory machinery that the world's financial industry

could believe in. This was the result of the collapse of the privately-owned Savings and Investment Bank with £42m of depositors' money

sle of Ma

The loose ends of the col-lapse are being tidied up now, with the trial of some of the principals involved on charges connected with the running of the bank and a forthcoming civil action by some depositors against the government, alleg-ing negligence in supervision.

Things are very different now. Mr Miles Walker, chief minister of Tynwald, the island's ancient parliament, says: "As far as we can we are preventive and we are certainly telling people that there is lump of husiness about that we don't have to take and don't We are trying very hard to

raise our image. The response to that worldwide has been very good. People are recognising the Isle of Man now as a centre of some stature and importance in financial services and not as some grotty little place in the Irish Sea."

How far the message has got bome became very clear on Tynwald Day, when the

island's new laws are proclaimed each year in an age-old ceremony. Mr John Ahhott, treasury attaché at the US Embassy in London, attended and was entertained afterwards at a lunch hosted by Mr David Cannan, the island's finance minister to mark what was coincidentally American

Independence Day.

Mr Abbott said that financial crime and the laundering of drug money was a continuing worry to the US government. He added: "It is heartening to come here and learn what steps have been taken. Actions and words are increasingly convincing, and firms are voting with their feet to come and

do husiness here.' The influx has led to a developing economic boom that has intensified considerably in the last year. Unemployment is now below 4 per cent. For the first time ever, substantial numbers of ordinary financial sector workers on the overcrowded islands of Jersey and Guernsey are applying for jobs Despite near full employment, bowever, there are

on the Isle of Man, for so long the Cinderella of European offshore centres. Mr David Lever, who went to

the island 17 years ago to npen a branch of Singer and Fried-lander, the London merchant bank, says: "We are the only low tax area in this time zone with the room to develop and the ability to keep costs relatively low.

"The speed of change has surprised most of ns and caused some problems, particularly in staffing, bouse prices and office space. Rents are rising. Head bunting is just beginning. Young people from the Channel Islands are coming bere because they cannot

afford to buy property there."
Mr Cannan says: "Quality attracts quality and more and more people are coming bere. People know that we bave strong regulatory machinery and that we are not interested in the grubby end of the mar-ket."

strains. Tynwald Day had a blacker side, for the letters "FSFO" were burned with weedkiller into the grass at the open-air site where the cere-mony takes place. The letters had to be painted green to hide the damage, but the point had been made.

"FSFO" stands for "Financial Sector F... Off" and there has been a spate of daohings in some parts of the island. An. extreme minority of Manx traditionalists are helieved responsible.

The protest is about the ending of the island's formerly sleepy, little-regulated way of ahout an influx of highly-paid executives in the financial industry, about a dan-gerous, developing gap between haves and have-nots, despite full employment. It is also about a hike in

house prices because of shortage, which makes it impossible for local, lower-paid first-time buyers to get on the property

These are the problems of sudden, spurting growth. The social infrastructure of everyday life takes time to catch up with rapid change and so tension and conflict become almost inevitable. This showed tellingly in a widespread strike over the

issue of local employment

CONTENTS

Legai zarvicas; local gar Financial services: a widar

Economy and Society: the Property: planners hold boor in check Tourism: a move up market

Flah Farming: laming tha

longer enough

terms earlier this year which cut nff the island for a short time. The causes bad been building in several minor dis-putes in many places, but it highlighted the fact that the island had no industrial relatinns legislatinn, no employment protection laws, and no structure of rights and responsibilities that either side of industry could fall back on.

They were nnt needed when goodwill and a small, friendly community were enough, but they are needed now. Urgent steps have heen taken this. summer to draft appropriate laws. At the same time, the government has spelled out its social philosophy in a seminal document entitled "The Development of Prosperous and Caring Society."

The government has not over-reacted to the FSFO protest. It has kept emphasising to the vast majority that without the financial sector, economic growth would be too slow to pay for the falling levels of already low taxes delivered in the last two hudgets.

Mr Walker says: "We are not going to twiddle our thumbs, We know we have to develop the economy in such a way as to produce a greater income per head for ordinary people."

Mr Cannan says that housing will be a priority hat that social policy can only be implemented through a strong economy and an active private sector chasing good market opportunities.

"What we have here is not a boom. This is established, well-founded growth. We are going to manage it to make it the norm. It may level out, but it is not going to fall back.

We have been getting people back to work and paid proper wages. We have almost full employment and have been getting the economy into surplus and balance. It is not a boom, but bow things should be and are going to remain,"



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More than any other in the industry, the Palace Group is promoting the unique attractions of the Isle of Man to the international business community. Conference facilities and new amenities, such as the Palace Hotel's recently completed Shearwater Suite, are being created as the basis for a more aggressive marketing plan that aims to increase the variety of "packages" that are available for business entertaining.

The business entertaining market world-wide is served by the Group's own Palace Promotions company that's devoted to tailor-made events linked to celebrity

The Group's resources on the Isle of Man extend from the luxurious accommodation and international atmosphere of The Palace Hotel and its famous Casino to the superb sporting facilities offered at The Castletown Golf Links Hotel - a venue that has always been attractive to the visitor with business in mind. Castletown is only minutes from Ronaldsway airport and in addition to 2 its world-famous golf links has recently augmented its lavish conference facilities and first-class restaurant with the addition of extra leisure facilities, including sauna, steam room and solarium.

erchoice or quality of ve es is offered at any single location in Europe

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for holidaymakers on the Island's busiest thoroughfare. Visitors with more sophisticated tastes also find they have a wider choice now that the Group's new nightclub, 'Toff's' has opened and stolen the imelight with new standards for late, late entertaining.



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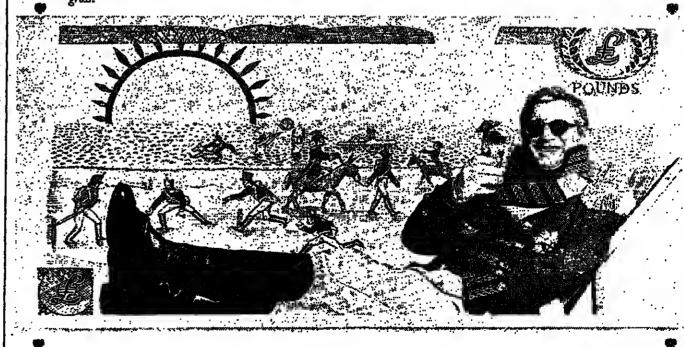
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growth continues. One thing is

certain: anyone wanting to

move in cannot do so half-

heartedly or a willingness to

commit big resources for

Mr Pell-Hiley says: "Repre-

sentation alone is not the way ahead for a hig company now. Yet for all the growth, the island is too small to support a

big indigenous market in

accountancy services. You have got to have resources

elsewhere, which means being part of e bigger group." Financial supervision has

also introduced another con-straint – auditors of banks, funds and various other finan-

cial companies have to carry so

mnch professional indemnity

insurance thet the balance has shifted permanently towards

"We have benefitted substantially from a flight to quality in financial services," Mr Pell-Hiley says. "You need a full office to maintain quality control and have the

trol and have to have the

resources to support it. You also have to demonstrate com-

mitment and show you are

The accountants are begin-

ning to reap the rewards of putting in resources early and not worrying too much about profits while they became established. Now they are reaching the critical mass to

offer profitable and specialised services. At the same time, cli-

ents are benefitting from greater competition for eudit work. The island's professional

infrastructure has never been

serious about it."

in better shape.

So is the market big enough

ACCOUNTANCY

Sea change in attitudes

IN THE leafy residential enclave of Belmont Hill on the outskirts of Douglas is an elegant Victorian house too big for sale today as e family home. It houses a new venture by Pannell Kerr Foster (PKF) which is one of the most significant developments in the Isle of Man's professional services since the early 1980s.

It was then that Peat Marwick, the accountancy firm, set up a full office with six staff. Tonche Ross, Coopers and Lybrand, and Ernst and Whinney were to follow. They shook up a sleepy professional infra-structure long dominated by PKF by introducing competition into e market that was then in the doldrums.

A combination of economic recovery, the growth of the financial sector, and the current boom has given everyone big slices of a growing cake in the last three years, but what is happening on Belmout Hill encapsulates e sea change in markets and attitudes towards professional services on the

It also shows bow PKF has managed to edjust to competition and keep its local market leadership in terms of size and range of services. The house is now called the Eaglehurst Business Centre. PKF hes moved several specialised services into it and created others, setting them all np as incorpo-rated profit centres in their

This has eased pressure on space in the firm's headquarters building in Athol Street, where the core accountancy services remain, but the move is about much more than that.
It confirms the shift from general practice to increasing specialisation and segmentation of professional services on the Isle of Man. This in turn underlines the growing diver-sity - and, indeed, the very growth - of the island's finan-

Eaglehurst houses PKF's off-shore businesses. These cover company administration. - it is the registered office of 450 companies — captive insur-ance company management and shipping management. It is also the base for the firm's business services, which include start-up and management consultancy, as well as computer selection advice.

Another subsidiary runs seminars at the centre and var- related industries.



Mr Peter Pell-Hilley:"benefit ted from a flight to quality'

ious rooms can be hired by others for seminars, presentations or board meetings.

Mr Ian Radford, one the partners in charge, says: "The idea is to provide services not traditionally available from practising chartered accountants, and to extend our traditional practice into various types of con-

In other words, the multi-practice firm is now evident on the Isle of Man. However, PKF - the forerunner of which came to the island to liquidate the collapsed Dumbell Bank more than 80 years ago - had to act decisively, or it might well have been embarrassed by some of its newer arrivals, most probably Peats.

Mr Peter Pell-Hiley, who heads Peats operations, arrived in Douglas as a 30-year-old six years ago to build up the prac-There was already an office there - an adjunct of Peats in Liverpool. Mr Tim Beer, the highly experienced Liverpool partner who was also to become joint liquidator of Investment Bank with Mr Michael Jordan of Cork Gully, became a visiting partner.

Peats then had six staff; now it has 65, of which 45 are pro-fessionals of one sort or another, including management consultants. They, too, cover a widening range of markets, servicing the banking, insurance, shipping and fundThe growth is not just because Peats took over the local accountancy firm of J G Fargher in 1986, for each practice had only 15 staff then. Organic growth has seen a doubling and more in total

Mr David Burton at Touche Ross tells a similar story. Touche started in collaboration with a small local firm but decided to develop under its own steam alone about three years ago. When it adds e training intake of four in September it will pass the 30 mark in terms of total staff and is moving to new offices to accommodate them.

"All of our growth has been organic," Mr Burton says. About half is traditional audit business, the rest e mixture of tax planning and offshore ectivity. He recently toured Touche Ross offices in the Far East and Australia and was pleased to find the extent to which people were eware of the Isle of Man compared with only a few years ago.

Mr Burton has run seminars on economic, legal and taxa-tion issues for some time, importing Tonche experts or consultants retained by them to lecture. The firm also runs an annual budget briefing, starting within a few minutes of the Finance Minister sitting down. Things like this helped create an expectation of ser-vice and depth of back-up which people on the island were not used to previously.

There has also been an effect training which is likely to be important and beneficial to the island. Touche Ross will take on yet more trainee accountants next spring. Peats recruits regularly, as do PKF and the other larger practices. This is very different from the past, when PKF bore the brunt of training most of the island's future accountants.

PKF gives preference to epplications from native islanders but admits, as do the others, that demand is going to exceed supply for the foresee-able future. The government would prefer that all trainee accountants were locals, but recognises it cannot be, given the rate at which the demand for professional services is

rowing. Recruitment from elsewhere in the UK is therefore unavoid-

LEGAL SERVICES

Local gap begins to close

NEW DEVELOPMENTS OR Athol Street in Douglas are of great significance to the Isle of Man's professional services. T W Cain and Sons, one of the accountancy firms to move in too? That may depend on the extent to which fast, sustained island's oldest and most respected law firms, has opened a new offices a few doors away from its long-established headquarters.

This is not just an expansion, for the new offices house the firm's specialised commercial law department - some thing unbeard of in Manx legal circles until recently.

Moreover, Cain's is offering a guarantee for clients using

its commercial services - in most cases it promises to deliver an answer to a legal query within 24 hours.

This signifies the degree to which the great gap in the Isle of Man's professional services has closed under the market pressures of recent years. The burgeoning financial sector used to make no bones about its view of local legal services lagging massively in terms of development and speed of

The small Manx Bar was overloaded with work but the outside perception was of e closed shop fighting to keep it all to itself. Having too few members also led to conflicts of interest.

The members - who are called advocates and bestride the traditional English division between solicitors and barristers - were mainly general practitioners in an age where there was a growing need for specialists, particularly in international finance.

international finance.

There was pressure on the government to be more welcoming to specialist lawyers from other jurisdictions. Theoretically, they could set up anyway, but were restricted from operating in Manx courts. r shape.

Moreover, some were put off by worries about market size, the welcome they would get and

lack of regulation — anyone could put up a brass plate calling themselves a "solicitor." Regulation has meant that only people properly qualified in another, recognised jurisdiction can operate now. Those licensed by the Attorney Gen-eral are allowed in for their specialised skills but are not allowed to appear in Manx courts, convey property or take

tional bread-and-butter mar-

on probate work. This has protected the tradikets of the Manx Bar but has not insulated its members from

specialised competition. The arrival last year of Travers

another leading firm, is follow-ing a similar route. Other Manz advocates have also developed the skills needed by the international financial sector. The improvement over recent years is admitted by previous grumblers.
So has Travers Smith Braithwaite wasted its time? Mr Rob-

ert Quayle, the former clerk to Tynwald head-hunted to run the operation, says: "Not at all, we are quietly satisfied and well ahead of forecast in terms of profitability.

"The island needs qualities

of excellence in its professional services and our purpose is to

The Manx Bar's increasing size is symptomatic of rising demand and the need to have a bigger pool to develop specialist departments

nith Braithwaite, one of London's leading firms of commer-cial solicitors, was therefore an

Cain's decision to segment its markets and go for specialisation has been seen generally as not only due to e growing market need but also as a esponse to such competition. Mr John Crellin, the partner who heads Cain's, says that the new guarantee of a 24-hour turn-round of work means that leading Manx advocates have successfully negotiated a diffi-cult learning curve and can

now compete internationally. He says that the Manx Bar's increasing size – there are 46 advocates now, double the figure of a few years ago – is symptomatic of increasing demand and the need to have a higger noel from which to bigger pool from which to develop specialised depart-ments. His own firm now has 10 advocates and one English solicitor, formerly a patents expert in Brussels, under

articles preparing to sit the Manx law exam. Dickinson Cruickshank, help achieve that. Fast efficient service is what people want."

The firm has grown quickly to two solicitors and two secretaries, with back-up visits from

London by Mr Roger Dixon, another partner. "We are here to complement the local struc-ture," Mr Dixon says. "For many years we have had something going on here for various clients and they it was who urged us to set up."
Jeques and Lewis, another London firm, are now present

in Douglas in even bigger num-bers, having taken over Dug-gan Lee, an existing firm of English solicitors. Its 14 staff include four solicitors and a tax expert.
Mr George Stuart says:

There was originally e suspi-cion among Manx advocates that we were trying to muscle in, but we are not interested in doing what only Manx advo-cates are allowed to do.

"We don't want to appear in the island's courts or do real estate work or probate. We spe-cialise in fields such as trustwork and tax planning. We are now feeding Manx advocates with work, and they us. Mr John Glasson, another Jaques and Lewis partner, is co-author of a new book Trusts, tax and estate planning through the Isle of Man, which is to be published shortly by Key Haven Publications of London at £100 per advance order, £125 after it comes out. He sees a market developing on the island for trusts set up

by individuals wishing to avoid the rigid, possibly outdated in-heritance laws of some coun-tries. "This sort of trust is increasingly in demand among "international citizens" — indi-viduals successful in indistry or commerce internationally

who are not firmly based in any one country," he says. "International succession planning is a growth area and in my opinion will outstrip the use of trusts for tax planning in the longer term. Mr Gha-son says. He sees the Isle of Man as an important interna-tional centre for such work, with Manx advocates earning fees from those tasks which

fees from those tasks which only they can carry out.

Travers Smith Braitbwaite foresees a growth in mergers and acquisitions as an important source of future work. It acts already for the acquisitorial Cresta group, which is based on the island. The Island of Man is an attractive place for international entrepre-

for international entrepreneurs," Mr Quayle says. Its other main area is corpo rate finance. Mr Quayle has also been prospecting for work in the Far East and Australia. The firm's first year has led to it feeding work to Manx advo-cates but it has not yet benefitted from work flowing the

With the market increasing size, however, Mr Quayle and Mr Dixon are not unduly concerned by this.

Mr Crellin too has more than enough work to divert his attention from what the new-ly-arrived competition is up to. "We have been so busy that I haven't had time to think about how busy I expect to be," he says amiably.

Nevertheless, e steely resis-tance is apparent behind his-

charm and gentlemanly polite-ness. He wishes lawyers from otherjurisdictions had not been licensed in the way they have. We have gone some way down the learning curve and can do it all from here. We don't see a lot of work where we need to ask questions of English law. The complaints that were alleged to exist cannot be made now. English soll-liters should take the Mary solicitors should take the Manx law exam. They are practising Manx law and there are idio-

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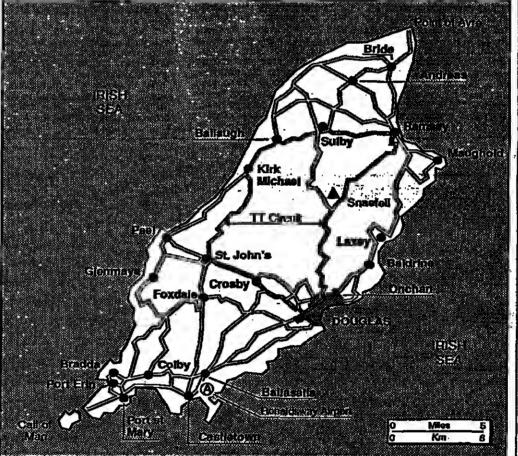
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KEY FACTS

Location: Irish Sea, 30m from England, 27m from Ireland, 16m from Scotland, 48m from

Wales
Area: 221 sq miles
Length: 32.5 miles
Breadth: 13.5 miles
Highest point: Peak of Snaefell 2,036 ft

nate: temperature -7 deg C to 25 deg C. Reinfell app 1,000mm anually. Population: 64,282. Main towns: Douglas 20,368, Ram-

sey 5,778, Peel 3,660, Castletown 3,019 Average house price: £33,974; 1987 £41,012 Banking (Icences 45 Insurance companies 68 Accountancy firms 59 Advocates' practices 16 GDP £200m(1985-86) Govt receipts £116m(1987-88) Govt spending £108m(1987-88) Basic tax rate 15 per cent Higher rate 20 per cent Corporation tex 20 per cent



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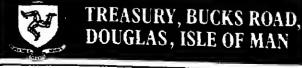
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ISLE OF MAN 3

FINANCIAL SERVICES

A wider spread with room for growth

JOBS IN the Isle of Man's finance industry increased by 39 per cent to nearly 2,100 in the six years between 1981 and 1987 according to a survey carried out by the island's govern-

nent last December. However, the figures do not tell the story, for the change is more importantly qualitative than quantitative. Moreover, the growth of the industry has only just begun. The quality of newcomers is high and they all expect to grow substantially.

Before the island set its regu-

latory house in order following the collapse of the Savings and Investment Bank in 1962, it was little more than e deposittaker, with some deposit-takers more respectable than others. As a provider of financial services in general, the Isle of Man offered little.

While the government sorted things, out there was an embargo on new banking and deposit-taking licences, so that serious international promotion of the island as an offshore centre did not really get under way until 1985.

A trickle of newcomers in the last two years has seen the number of licensed banks rise to 46, with new attitudes now very apparent. They are proba-bly best personified in Mr Nicholas Owen, the managing director of the new Robert Fleming banking operation in

Fiemings was one of the first full banking licences granted after the embargo was eased. Mr Owen, 36 years old and a Master of Business Administration (MBA) as well as a banker. has a combative air about him.
"We are trying to develop a

fully international investment bank here," he says.
"The nature of our work is different from what people have seen here before. In the past the Isle of Man was used by banks for deposit-taking, not as a trading centre for making good profits. We have a much more approach.

Total staff number 14, including two other bankers, one of them also with an MBA.

Mr Owen is looking for a chartered accountant and a char-tered secretary. Flemings runs its own meney book. He claims that most local competitors have not even got Renter screens and merely peas depos-its on to the London market.

He sees his market growing all the time as, for example, the island's insurance industry expands and the captive insur ance companies in particular large sums to be managed. For deposits exceeding £500,000, he offers a bespoke

"Portfolio management at the institutional level has been very good. We have developed much more local business than we expected," Mr Owen says. Flemings has also been doing good business in locally-run foreign exchange dealing, allowing depositors to switch between currencies at whole-

While Flemings is not very interested in private portfolios much below £100,000, Warburg Investment Management will go down to £50,000, with a £250,000 floor for corporate

FINANCIAL WIZARDS

BEAUTIFUL ASSISTANTS

The almost magical growth

And it also reflects the high

of the Manx economy reflects the

very favourable tax situation of the

standards of financial expertise and

the Island's financial structure, talk

to people who combine a wealth of

local knowledge with international

experience.
Talk to Pannell Kerr Forster

To benefit to the full from

assistance available locally.

for wizardry, or assistance.

---AND



Athol Street, Douglas: heart of the Isle of Man's commercial district

business. Warburgs has been one the government's three investment advisers since 1969, prompting a joking aside from Mr David Cannan, the Finance Minister, about taking 18 years to decide to open an office on the island.

However, the bank had been active since 1978 and in 1982 took over two unit trusts from Barclays in Douglas. "We felt for the first time that there was critical mass of business for it to be worthwhile opening here," says Mr Barry Beale, the director in charge. He too sees the developing insurance sec-tor providing substantial cor-

purate business.

The latest big arrival on the island is the Bank of Bermuda, which recently bought out Kleinwort Benson and the Montreal Trust Company from the jointly-owned Arawak Trust, giving the bank control of Arawak's operations on the

Isle of Man. Arawak's licence restricted one enabling the holder to manage banks licensed in other jurisdictions — has been transferred. Mr Jim Noakes, the island's banking supervisor, says that any application for full licence by the Bank of Bermuda will be looked at "very positively." Bank of Bermuda senior

managers were on the island two weeks ago for discussions. Meanwhile, NatWest Interna-tional Trust has bought out Royal Life of Canada from Roywest, a formerly jointlyowned trust operation, and has chosen the Isle of Man as its European headquarters. It is putting up its own building and will eventually employ 200

Another newcomer is British and Commonwealth, whose way in was to buy Douglas
Bank, one of four existing
banks for sale to suitable buyers — which means that the
purchaser must be approved by
Mr Noakes.

The other three are the Anglo Manx, Mercantile and Oversess, and the Celtic Bank The last of these is owned by the supermarket and property

millionaire Mr Albert Gubay, who stresses that he does not really want to sell, but might if someone acceptable to the gov-ernment made a good enough

The bank's latest results. published last month, showed a record profit of £1.8m, which

The quality of the newcomers is high

may account for why Mr Gubay is in no particular hurry to sell.

Some of the traditional clearers have not been standing idly by while all this activity has been going on — and although NatWest has reduced its activities to one branch in Douglas, it does have the Isle of Man bank as a wholly-owned sub-

sidiary. Mr John Allen, a native Manxman who stepped up from deputy to general man-ager last year puts the bank's share of the retail market at 50 per cent, with Barclays second at about 22 per cent. Mr Allen heads an operation with 15 branches and more than 300 employees. He can be fairly accurate in

guard its position. The Manx

operations report to Liverpool where Mr Brian Thaxter, the

new regional director, decided

that Barclays needed to do

much more in the fast develop-

ing Manx marketplace.
He has put Mr Eddie Shallcross, one of his top managers,
in charge, bumped up the man-

agerial team from three to

seven, with two more to come, and centralised services on

Douglas so that the resulting

economy of scale will allow

them to be segmented into spe-cialised departments.

It means that half of Bar-clays' 120 staff are now concen-trated in Douglas, compared

with 45 previously. Barclays expects to do well with its Douglas business centre for

industry and commerce, an

international department and a

private banking unit for bet-ter-off customers.

The banks are on their met-tle, however, because British

building societies are now

moving in. The Leeds, Nation-

wide and National and Provin-

cial have arrived already, with Britannia and Bradford and

They will use the island pri-

marily as base from which to tap offshore savings for the

benefit of the UK housing mar-

Bingley about to.

00:

20

such estimates because the Isle of Man is the government's bank and processes everyone's payments of rates each year. It can work out each bank's share of the market simply by counting the cheques.

The Isle of Man Bank is unlikely to lose its market leadership almost by virtue of its name alone. But it is also working hard to earn to its keep. It is self-contained, with comprehensive data processing, so that it does not have to call on its mainland parent for anything and no one's accounts are in any way han-

dled off the island. Last year it made its overseas department an antonomous branch under entrepreneurial management, which promptly justified the decision turning in £300,000 of profit m its first year. In the same period, the local deposit base rose by 8 per cent to £650m.

With the Royal Bank of Scotland determined to make an increased impact, Barclays, which has six branches on the island, has reorganised to safe-

Meanwhile, the island's insurance sector grows rapidly. Dr Bill Hastings, the new insurance supervisor, says insurance companies on the island, 52 of them captives

(subsidiaries) of large corpora-tions which use them to arrange their own insurance. The island's Exempt Compa-nies Act of 1961 was written especially to attract the insur-ance industry. They use the island as a base but write their husiness abroad. The Act then exempts them from income,

ket, but they are already hav-ing a major impact and may well have taken in £100m of local savings in their first few

Generally they are offering 1 to 1.5 per cent more in interest than the clearing banks, some

of which are responding with special deals for deposits of £10,000-plus, provided the money goes on one month's

capital gains and corporation tax.
The gains to the island are jobs, not only in the industry itself but also among the sup-pliers of goods and services which the insurance compa-nies buy in. Royal Life, which provides more than 100 direct jobs in Castletown and has a rapidly growing share of the expairiate market, is moving to bigger offices to allow for yet

more expansion. CMI, which started up only last year, is already up to 45 staff, even though Mr Mike Richardson, managing director, admits that everyone is still learning how to market global products with no net-work of brokers and intermediaries to help them, as in the

The other big names in life insurance on the island include Eagle Star, NEL, and Equity and Law. Allied Dunbar and Barclays Unicorn are also in the marketplace as fund managers attacking the same or similar markets.

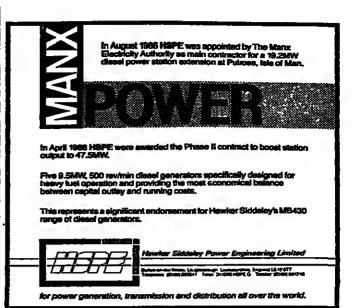
Financial services therefore look very different from six years ago, when the island was a definite backwater compared with Jersey and Guernsey Now it has a wider spread and room for growth. Only staff shortages seem likely to hold it

Ian Hamilton Fazey

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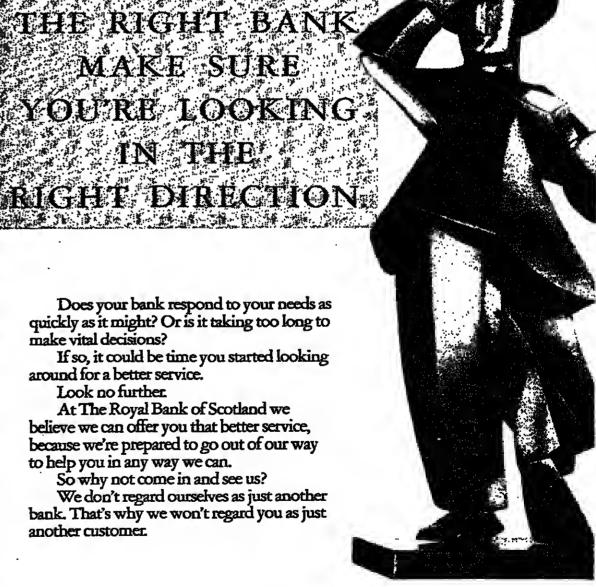
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The economy: high pay in the financial sector is causing concern

The quest is for quality

THE ISLE of Man's thriving financial community now so dominates perceptions of the place and contributes so much to its income (nearly 20 per cent) that there is a tendency to overlook the fact that it accounts for only 6 per cent of employment, the same as public administration.

Manufacturing and the distributive trades employ between them 26 per cent of the working population; the construction industries II per cent; professional, educational, medical and scientific services a somewhat surprising 14 per cent; transport and communications 9 per cent; agriculture, forestry and fishing 5 per cent, and tourist accommodation, catering and entertainment 8

per cent.
The island has, in other words, a reasonably well-mixed economy. But such is the influ-ence of the financial aector that some inherent dangers are

Not the least are early signs of opposition to what some regard as the creation of "two nations" oo a tiny and - in the official view - still under-populated island. Predictably, such complaints are voiced among those who work outside the financial sector: their pay is much lower, but their costs

was hardly a "little local diffi-

culty", hecanse it dealt a

severe, poteotially mortal,

blow to confidence not simply

in the financial sector but the

island's economy as a whole,

more of that and is determined not to have it. The traumatic

events of the early 1980s

clearly did not help the island

weather the period of depres-sion, largely imported from

mainland Britain, Stagnation,

falling property values and

high unemployment levels bit

hard. It was no time to also

It is all the more remarkable, therefore, that today the Manx government is able to go on record with an unequivocal statement that, "It has seldom been possible for us to look forward to the future with more

The government has set out its definition of what those fundamental problems are and icy statement, The Development of a Prosperous and Car-

ing Society.
It is less of an exercise in semantics than its title might suggest. It is this document that makes it quite clear that, in its presentations to the outside world, the Isle of Man aims to build a firm identity with quality and reputation which cannot be challenged. It says: "These qualities are vital to the attraction of new and

 especially housing - are strongly affected by the affluent "incomers".

The Isle of Man Government is anxious not only to nip such arguments in the bud but also to demonstrate its commitment to removing the inequalities from which they stem. It has set out its approach in its policy statement, "The Development of a Prosperous and Car-

The Government can, in practice, do little to restrain the effect of market forces on prices, nor does it want to. Instead it aims to create conditions in which both existing and new island activities can move towards much higher expectations for those engaged in them; what It describes as e "management of growth". The prime aim – and one

for which the financial sector is expected to provide the bench mark - is to create a reputation for quality and integrity for the island's busiquality of life. It is no small

The island's success in quite rapidly established itself as an important base for ship management and registration is good example of its approach in action. Following the 1984 Merchant Shipping Registra-

tion Act, there are now more per cent of the national than 200 ships either already income. There are more than on the island's Marine Register or awaiting registration.

In the more traditional industries, the answers are not so readily found. Although the bulk of the island is indeed a green and picturesque land, agriculture (which is quite heavily subsidised for political, strategic and social reasons) employs fewer than 500 people. Grassland and hay cropping predominate and there is little

in the way of horticulture.

A once-proud fishing fleet of some 300 herring boats around the middle of the last century is now down to a handful of vessels. These days the famous Manx kipper is most likely to have been caught and landed by a foreign fisherman. Herring still abound in the island waters, but the native fishermen are few, though the local delicacy of the queen scallop -the "queenie" - remains a prominent feature of all good staurant menus.

In terms of national income, agriculture, forestry and fishing combined now contribute less than 3 per cent of GDP. Manufacturing industry is quite another matter. It is a vital part of the island's economic structure, providing 13 per cent of jobs and some 15

250 manufacturing companies mainly medium-sized or small, ranging from the utilitarian basic to the more esoteric realms of laser optics and micro-electronics. A payroll of 500 is about the biggest to be found in the private sector. To attract more manufactur-

ing industry and achieve a better balance with the financial sector, the island has - in addition to its favourable taxation structure - put together a pack-age of inducements. They include capital grants, operating grants (including marketing and training assistance>, loans and rent rebates.

With unemployment now

under 4 per cent (it was almost double that three years ago) the isle of Man can afford to be and is - choosy about the kind of companies it allows in. It wants modern clean, envi-ronmentally-conscious compa-nies involved in high added-value and high wage activities. Its "management of growth" strategy allows the island to reject what it doesn't want and wait for what it does. There are clear signs that these policies are working.

R W Shakespeare

ECONOMIC AND SOCIAL POLICY

Fostering investment and

THE FREEPORT

A pointer from De Beers

MR JOHN Campbell is one of life's enthusiasts. As the head of Tudor Homes, one of the Isle of Man's leading civil engineer. ing and development companies, he is also both highly successful and deeply committed to the island, its way of life and its ambitions for the

Now he is also managing director of Freeport Properties, a private company appointed by the Isle of Man government to construct and manage the island's 20 acre Freeport beside

Ranaldsway Airport.

It is fair to say that Mr
Campbell saved not only the
project but also the government's face. The lale of Man Freeport was rushed in five years ago to beat those then being designated in the UK. But it never got off the ground. British Land was going to develop it but could not reach agreement with the government about terms and so with-

Mr Campbell eventually took over the project, forming the new company to invest an ini-tial £2m in the site infrastructure, administration centre and two warehouse units. He expects the total investment to rise to £20m over the next four to five years. The government is putting £98,000 towards the installation of services.

Mr Campbell confidently expects that "Europe's only offshore freeport" will show a handsome return for his own company as well as making a major contribution to the

"It may not be the biggest of the freeports, although there is ample scope for further development, but it will aim to be the best. In particular, I believe that the administration centre, with its fully-computerized systems, will set new stan-dards," he says.

An international marketing

island's economy.

campaign to attract busine into the freeport is getting results, most of which Mr Campbell is not yet ready to talk about publicly because he does not want to count his chickens prematurely. But the fact the South African-based De Beers group has decided to invest about £30m there is a pointer to the kind of hig fish

he is hoping to land. De Beers has formed three isle of Man subsidiaries for its industrial diamonds processing operations, making products for cutting tools in mining and for high technology applica-tions. It opened quietly this

De Beers does not like publicity at this end of its

operations and there was a great deal of sensitivity last year at attempts to link the project to an alleged, claudes-tine, potential sanctions-busting scheme in which the island was to be a back-door to Europe for South African exports in general.

There had been enquiries from South Africa, and the government had answered them politely, but it is opposed to apartised and accepts guidance from the UK on harmonising foreign policy. The UK would never have agreed, and the project would never have been approved by Tynwald

The De Beers venture, however, is a straightforward piece of industrial development, with operations similar to others carried out by the company elsewhere in Europe. The benefits flow two ways: on the one hand the venture will create about 150 jobs, while on the other, freeport status means that industrial diamonds can be shipped in, processed and shipped ont again without incurring VAT.

This is exactly the sort of

business the government wants to see. Very expensive raw materials, which achieve high added value through processing can pass in and out

tably high taxes they would otherwise inchr. Security is also good De Beers operations are linked directly to the airport next door by a private road.

De Boers will, of course, aiso benefit from number of other advantages that stem from the lale of Man's autonomous posttion and its special relationship with the European Com-munity. Tynwald offers an enticing package of grants and loans for manufacturing companies, many of which could be applicable to certain freeport

They include capital grants of 40 per cent on new trabilings and machinery, grants to finance such things as special training, commissioning. Funning in and transfer costs, and house and to the period of works. loans up to 50 per cent of working capital requirements with low interest rates and deferred repayment.

All this against a back-ground of a maximum income tax rate of 20 per cent on both company profits and individual earnings, capital allowances on investments, no surtax, no cap-ital gains tax and no capital

R W Shakespeare

REPUTATION IS a word that these days gets high priority in all of the deliberations of the

Isle of Man government and its In the early 1980s the island saw what are now officially ties" within its banking strucoptimism and more confidence, ture. In fact, a major banking organisation, the Savings and and seldom has there been a better opportunity to tackle Investment Bank, collapsed fundamental problems." completely with more than £42m of investors money. It

its philosophy for dealing with them in a comprehensive pol-

pick a reputation for any sort reputable business. We are pro-

of dubious dealing.

meeting its consequences posing legislation which will designate activities which will be prohibited for Manx regis-tered companies. This will be a

tered companies. This will be a significant step in curbing unwelcome activities by com-panies operating mainly ont-side the island and damaging its standing and reputation."
The all-important financial sector has now not only rehabilitated itself, after the crisis of confidence, but is once again the island's major growth point and the catalyst for much else happening throughout the economy. It is now subject to stringent controls, shortly to be reinforced by further legis-lation. Among the problems the Isle

identifies: Low national income per head of population, with average earnings just 58 per cent of the UK average. This factor alone, it says, seriously limits standards of living and government revenues

of Man faces, the government

■ Lack of significant identified natural mineral resources capable of commercial exploita-

Limited population and isolation, which means that the island lacks the inherent demand for goods to ensure their supply at economic cost. MA naturally declining popula-tion requires some net immigration in order to maintain levels. "There is also a relawith 24 per cent of those on the island over retirement age - a third more than the average for the rest of the UK. There are consequent burdens on the health and welfare services.

Technology and the changing atructure of industries

workers have skills that are inadequate or inappropriate to take advantage of new employment opportunities.

Government expenditure has been rising quickly - twice as rapidly as income between 1981

mean that many of the island's

and 1986.

The island is susceptible to external influences over which it has no control - for example, those that led to economic stagnation in the early 1980s and developments within the EEC which could threaten the island's freedom of action island's freedom of action.

The other side of the coin is that the Isle of Man can list some positive advantages: good

environment, political stability, low direct taxation and no capital taxes, a low crime rate and freedom from social strife, good communications and high quality public services are among them. A low population density — only 291 people to the square mile, compared with, say, Guernsey's 2,277 - gives the Isle of Man scope and capacity to absorb quite considerable development and increase in population without serious damage.

Projected population changes over the next 15 years show a significant decline in the proportion of elderly, while the numbers in the working age group remain reasonably stable, suggesting a better balance of population for the

ment says prosperity cannot be created by government, though it can encourage, promote and stimulate others to invest and develop husiness to generate prosperity. It adds: "We believe we have established the preconditions for continuing growth in a variety of areas. The growth and development that we now confidently expect will reflect in improved gov-ernment revenues. This in turn will allow us to sustain and improve our services for the benefit of all."

The government admits, The government admits, however, that it will not be enough simply to create the conditions for growth and then simply allow things to take their course. Growth will, it says, inevitably cause some strains and some social and economic problems. It therefore sees the skilful management of crowth as a key government of crowth as a key government. ment of growth as a key government preoccupation. It adds: "One of the great challenges facing economic policy will be to ensue that increasing properity is shared by all. To raise the living standards of a few and ignore the needs of the many would he both unjust and divisive. We must use the tax and

benefits system to ensure that effort is rewarded and hardship eliminated. Specifically we must continue to push up the income tex threshold and pro-gressively remove those on modest incomes from the direct taxation net. We must be as generous as possible for the aged on low incomes, for the disabled and for those disadvantaged and unable to work. Everyone must share in the benefits of progress."

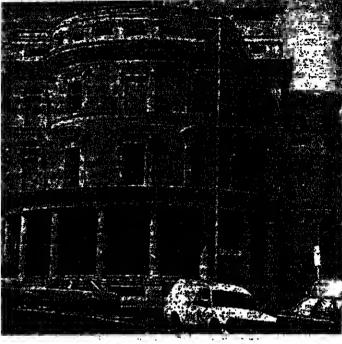
Protection of the island'a quality of life will, the govern-ment states, be a significant ment states, be a significant responsibility in the face of growth. Elements that will need to be particularly safeguarded being the environment, political and social statistical states are set the bility and those parts of the public services that will be sen-sitive to additional demand. On environmental matters

the policy statement stresses the island's vulnerability to "external factors" and it underlines its determination to con-tinue to pursue its policy of seeking the closure of the Sellaffeld nuclear processing plant on the Cumbrian coast "through every forum open to us". It is discussing joint moni-

us". It is discussing joint monitoring programmes with the litish Government.

It adds: "Although Sellafield is the highest-profile threat to our external environment, we need to be watchful for other potentially adverse development and must be prepared to work with others to reduce the levels of pollutants setting into levels of pollutants getting into the Irish Sea."

R W Shakespeare



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Strategy may prove too inflexible

the construction industries only two percentage points less than those working in manu-facturing – is one of the clear-est pointers to the fact that the island is in the throes of a property boom. Not that such statistics are needed. The sights and sounds of it are at

Against the background of rapid expansion in the financial sector, the office market is extremely buoyant and many major developments and refur-bishment programmes are

under way.

Rental levels for modern office accommodation have risen sharply from the £6 per sq ft level of two years ago to \$10 per sq ft and more, for pre-lettings now being negotiated.

Most of the new office developments, of between 10,000 and 20,000 sq ft, now going on in Douglas are already pre-let and it seems highly unlikely that this year supply will keep pace

Mr Geoff Black, commercial director of property agents

THE FACT that 11 per cent of Cowley Groves in Douglas, the Isle of Man's working population is currently employed in office sector is tightly controlled by the Douglas Town Centre Plan. Although this is currently under review, it seems likely that the island's planning eutborities will continue to restrict office development to town centre locations."

Some further demolitions of older properties will provide sites for limited new develop-ment. But if the demand pressures continue - as they show every sign of doing - and with a five storey limit to new buildings in force, it seems inescapable that the authorities will

ultimately bave to re-think their zoning policies.

Douglas is the natural magnet for those moving into the financial sector. But elsewhere on the island smaller business complexes are establishing themselves, for example at Ramsey, Ballasalla and Castletown where, for one thing, parking is very much easier. The retail shopping sector is

another now in the thick of a period of rapid change and development. In Douglas there

is, once again, a zoning policy in force with retailing focused on the Strand Street area, between Howard Street and Regent Street. Royal Life is at present constructing Douglas first modern shopping centre there, having taken two years

to assemble a site at the north-ern end of Strand Street. The Isle of Man bas been largely ignored by many of the big UK multiples for many

impressive homes are being built in the £200,000 plus bracket. But a hait has been

called to local

authority building

years because of poor spending power among its small popula-tion. In the wake of increasing affluence and a hurgeoning

economy they are now moving in one after the other in quick Prime site rents which had languished at around £20 a sq ft for several years have taken

off to a current level which is, in some cases, double that fig-

The signs are that that in retailing, as in office develop-ment, the existing planning strategy may prove to be too

inflexible

inflexible.

Besides Douglas, retail developments are taking place at Port Erin and at Ramsey, where Montrose Holdings has recently completed a 17-unit Victorian-style Shopping Mall connecting Parliament Street with a new 15,000 sq ft store for President.

Presto.

The island's indnetrial property market is largely centred on a number of strategically-sited industrial estates. Rents are generally established at £2 a sq ft, rising to £2.40 for some smaller units. This is a level which — coupled with the various elements in the government's industrial aid programme - is reckened to be highly

attractive to new industries. House prices on the Isle of Man are generally lower than those in mainland UK but, viewed by the established island resident they have, during the past couple of years "gone through the roof" - rising by an average of more than

Much of the house building now going on caters for the upmarket sector, with some impressive "executive style" homes, in highly desirable seaf-ront areas, like Onchan, in the £200,000 plus bracket. Problems exist elsewhere in the market particularly for the

younger, first-time buyers who are finding themselves priced out. A number of schemes to add to the stock of lower priced housing and correct this imbalance are currently under con-sideration and, fortunately, the one thing the island is not

short of is space.

At the moment a halt has been called to local authority house building, apart from one or two sheltered accommoda tion schemes, and efforts are being concentrated on the improvement of the existing stock of some 5,000 dwellings This policy is due to be reviewed as the planned popu-lation increase takes place.

R W Shakespeare

HOTEL DEVELOPMENTS

Good news for business travellers

SOME PEOPLE may bave misgivings about the Isle of Man's ultimate future in tourism, but those in the top end of the hotel business are clearly not among them. in a flurry of activity involving substantial investment, the major hotel owners, and developers of new ones, are gearing themselves up for a new "Golden Age" -with tariffs to match.

For many months now the visitor has been hard put to it to find a room in a decent botel out of earshot of workmen's hammers, Spurred on by the prospect of lucrative trade from the island's exploding business community and its visiting associates, by the potential of many a high pow-ered conference or seminar and by the Tourist Board's vision of a new breed of more npmar-ket, short period, special-interest holidaymakers, the hotels are busy speculating to accu-

undergoing a substantial facelift for some months now, including the addition of a flm luxury Health and Leisure Centre, with three separate swimming pools, a solarium. gymnasium – all in "a settine

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The island's casino, which the Palace houses, is also being reconstructed. Although the only modern hotel in Douglas, the Palace has been criticised in the past for not being up to "international business class" standards. It needly bet its standards. It nearly lost its government licence to operate the casino last year and is determined to make sure that

ers, the Montague Group. From e state of sorry dilapidation it has now re-opened after a £3m programme to restore it to splendour. Its chandeliers glitter in the Regency decor. Prices start at £45 (single) and can be as much as £190 a night for some of its 65 bedrooms and a dozen suites. The Palace Group also owns the Golf Links Hotel, at Castle-

The biggest scheme ever mooted - for a 200-bedroomed hotel on the Island by Barlows Development Corporation - would cost £14m if It goes ahead at Peel

it never runs such a risk again. However, until the economic boom got going and the finan-cial sector started mushroom-ing, hotels on the island were fighting for slices of a diminmulate.

They are spending millions.
The hotel most widely used by business visitors, the Palace, on the Promenade - when it went up in 1960, it was the island's first new hotel since the Great War - has been maked to background the Palace which background the Palace lant survivor of a long period

Casualties included the his toric Castle Mona Hotel, next door to the the Palace, built by the Duke of Athol in 1806. Economic recovery on the island has resulted in this fine buildof waterfalls and tropical ing being rescued by new own-

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town, overlooking Derby Haven. It took over in 1986, spent half a million pounds on upgrading and now plans to spend a further film on exten-sions to provide an additional 61 bedrooms. The group also owns the championship stan-dard Castletown golf links, which adjoin the hotel.

Empress and the Setton have also launched major improvement programmes in which swimming pools, health and leisure clubs, steam rooms and saunas, sun beds and jacuzzis abound. The Villiers Hotel, a Victorian landmark, is at the centre of a project that will involve the demolition of a line of private hotels from the same era together with tha hotel itself. A planned £8m development on this Loch Promenade site will include a new four-star 112 bedroomed Villiers Hotel together with a mixed commercial and retail complex. Meanwhile, in the north of the island, the Grand Island

Other Douglas hotels like the

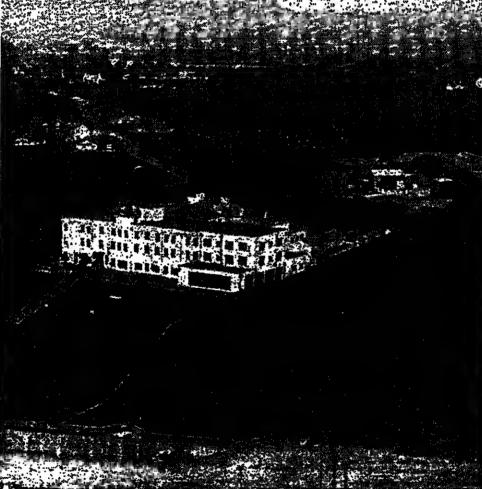
Hotel at Ramsey has been refurhished and decorated throughout in country house style. Its new Club Henley also offers awimming pool, jacuzzi, gymnasium, sauna, sunbeds, steam room and the services of beautician and hairdresser. It has to overcome the psychological barrier of being half-anhour from Douglas and at the

the airport, but quality may help it do so, particularly if pressure of space forces busi-nesses to look beyond Douglas

for room to grow.

Indeed, the biggest hotel scheme ever mooted for the island is planned for the west coast on the seafront at Peel by Island Resort Hotels, a subsidiary of the Washington-based Barlows Development Corporation. It envisages a 200-bed-roomed hotel and, on the headland above the town, with associated leisure and sports facilities, a restaurant and a conference centre. It would cost around £14m if it goes

One other piece of good news for the business traveller how-ever is that the defunct Admiral's House, a small but exqui-site bed-and-breakfast hotel on the promenade, has been resur-rected by Boncomptes, owner of one of the island's best res-



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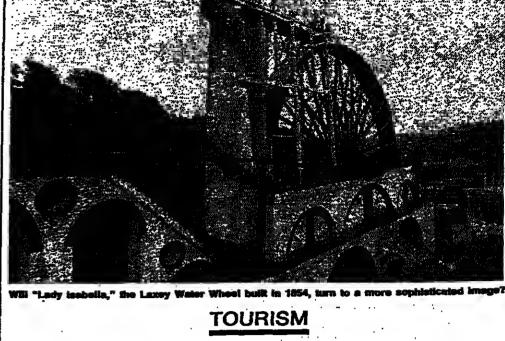
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A move upmarket

THE HARSH truth about tourism and the Isle of Man is that most of the images, acquired over the past half cenacquired over the past half century or more, no longer sit comfortably alongside the new persona that the island is trying to project to the outside world. And yet they persist.

This is because of horse drawn trains and "mystery" coach trips, deck chairs and buckets and spades on the beach and paddles in the sea, fish and chip teas and kippers for breakfast.

It is also because of the — at

It is also because of the - at best — fading elegance, or — at worst — downright shabbiness of smaller hotels and boarding of smaller hotels and boarding houses along the Promenade and its side streets, or because of beer from Castletown Brewery, music by Ivy Benson and her band, and once a year the deafening roar — and all too frequent deaths — of the TI motorcycle racing fortnight.

These are the things that brought half of Lancashire flocking over to the island in the 1930s, 1940s and 1950s,

the 1930s, 1940s and 1950s, interrupted only by war. Now they go to Spain or California.

And yet, old habits die hard. Of almost half a million passengers who arrived on the sland by sea and air last year,

about half were holidaymakers or day trippers. They came from mainland Britain, pre-dominantly the North, and from Ireland, north and south. They spent a great deal of money (accounting for more than 12 per cent of the island's GDP) and provided a comfortable, if not lavish, living for many thousands of the island'a

And yet too, everyone knows that left to its pleasantly nos-talgic links with the past tourism will ultimately die — and sooner rather than later.

Quite apart from all other considerations, this is not the Costa-anything or a Greek island. The weather is, to put it kindly, capticious. Even on the kindly, capricions. Even on the warmest of summer days, collapse from heat stroke is a minimal hazard. It is not, in short, the place for today's vast army of sun-worshippers.

The figures show the general decline - from 626,057 in 1972 to

483,460 last year. However, there is more to the trands than the global figures suggest. In 1967 arrivals by air passed the 200,000 mark for the first time in 11 years, while sea arrivals dropped to their low-est ever level of only 270,067. The shift to the air is about much more business travel or short-stay tourism. It is about people coming for special events or for long golfing

These days the Isle of Man

Tourist Board targets much of its promotional effort — and budget — at a very different audience to the bikini and beach bail set. It aims to attract many more upmarket visitors, parhaps not in the same numbers but with — head for head — a lot more money to spend. And there's the rub for a great many island residents who have often spent a lifetime making a reasonable living out of the "traditional" tourist trade.

tourist trade.
That kind of visitor - the That kind of visitor — the golfers, the anglers, those who prefer a countryside or cliff-top walk or a quiet cove to a crowded beach, also expect other things. These include a comfortable hotel room with facilities en suite, good food and drink, room service, swimming pools and saunas.

and urink, room service, swim-ming pools and saunas.

The older, large hotels, oth-ers recently built and new ones now being planned are invest-ing heavily in just those facili-ties, which are as much in demand by the affinent busi-ness community and its visithopes they will be a new breed,

Owners of the many smaller hotels and boarding houses could not afford the kind of investment needed to compete in that sort of market — even if their premises justified it. Some are already being bought up to provide the sites for new hotels, restaurants, shops and the inevitable wine bars.

Some will survive of course Others will simply close as the changing pattern of tourism overtakes them. For Douglas in overtakes them. For Douglas in particular the residual problem will be that of deciding how the seafront area will uitimately be redeveloped to enhance the Isle of Man'a new upmarket image. So far, the Manx government has set its face firmly against allowing any spread of office and commercial property development to the Promenade area.

The opportunity exists for an imaginative approach. How the Isle of Man grasps it will decide much about its "look," "feel" and atmosphere in the

R W Shakespeare

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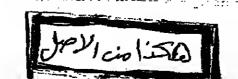
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PROFILE: MANNIN SEA FARMS

Tame turbot and high tech

AFTER KIPPERS and that other Manx marine delicacy, the queen scallop comes... the

Two large green sheds near the end of the Ronaldsway Airport runway do not look up to much, yet they house some of the highest technology on the Isle of Man. Do not look here, though, for electronic wizardry or robots, hut for human hrainpower and knowledge at work.

Inside the sheds, two marine hiologists may well have solved one of the most difficult problems in animal husbandry how to rear baby turbots in sufficient numbers to make it worthwhile. The prize could be worth millions

The turbot is a rare, flat fish with juicy flesh. Less than 10,000 tons of them are landed from fishing every year and demand has gone unsatiated since time immemorial. One reason is that there are not all that many turnot in the sea.
In the wild the infant mortality rate is 999,999 per million eggs. The scale of the problem facing Mannin Sea Farms, the company housed in the green sheds, is that commercial via-

of 3 per cent - or 30,000 times better than nature. Why it is all so difficult is that nnlike the easy-to-rear salmon, haby turbot cannot eat just anything. When they first hatch they live in the plankton they ingest, drifting among it at risk of being swallowed by bigger fish.

hility rests on a survival rate

They start on microscopic specks called rotifer and, if they are not eaten themselves, they gradually grow hig enough to swallow somewhat bigger crustaceous specks called brine shrimps.

The secret of Mannin Sea Farms is to reproduce this food cycle in carefully controlled conditions, hat without the

Each tiny creature which gets heyond this stage has every chance of hecoming a fully fledged turbot measuring a good foot in diameter, weigh-ing about 1.8 kilos, and with a market price on its head of about £8 per kilo.

Not that they will make it this far at Mannin Sea Farms, for this is a hatchery. The aim is to get each fish up the size of a 10p piece and weighing about the size of tanks inside the 9,600 sq ft of



Richard Slaski(left) and Paul Wast, founders of Mannin Ses Farms

1 gramme in about 80 days. At this stage they are sold on to fish farms in warm waters off Spain for £1 each. They will then take 30 months to reach marketable size.

All you need to do all this hatching and nursery work is about £500,000 of venture capital, a degree in marine biology and about ten years' relevant experience. There are very few people in the world so quali-fied, but they include Mr Paul West and Mr Richard Slaski. Aged 31 and 33 respectively. they have have just set up Mannin Sea Farms.

Previously, they were with Golden Sea Produce in Scotland for ten years and were the hrains behind that company's own successful turbot hatchery. But Norsk Hydro, the com-pany's owner, decided to move operations to Spain and they

did not want to go.

They were also on only £18,000 a year each, despite being the company's highest paid British hased scientists. Ahout 18 months ago they went looking for somewhere to set up where they could do bet ter for themselves.

Apart from the warmest welcome and a promise of £152,000 of capital grants, the Isle of Man offered the best prospects, with exceptionally clean water despite what anyone says about Sellafield and an airhuildings, filtered, and kept at 20-23 degrees centigrade. This is about 6 degrees warmer than the wild and has the effect of doubling the young turbots'

The original eggs from which the babies are hatched come from Mannin's own hrood stocks of 190 prime speci-mens, themselves bought from fishermen or fish farmers. These are stripped of eggs or sperm three times a week for the three months of mating

season each year. They will live for six years or so and, eventually, tha lights over their various tanks will have heen adjusted and staggered so that spring will come at different times for different tanks, allowing eggs to he harvested for 11 months of

As the young offspring grow, they are transferred to new tanks, with their numbers spread between more and more tanks as the fry get larger. Not that they mind a crowd. "Tur-bots are gregarious. They like it dense." Mr West says. The transfers allow the little fish to be counted, so Mr West

and Mr Slaski can tell their NatWest hank manager how they are doing.
When each fish is about a 5p

coin across, they are weaned off plankton onto meal, quickly learning to feed off the hottom where their underside eyes will start to migrate round

Being near the airport was essential to sales, for the fish go ont alive as air freight. The are packed in water-filled poly-thene bags with enough oxy-gen for 30 hours. The key to live arrival at Spanish fish farms is to waste no time waiting for take-off at Ronald-

Production of baby turbot started at Easter with great success. The current survival rate is 8 per cent of hatched eggs, or 80,000 times better than the wild. Production should reach 125,000 fish this year and 200,000 pert year and year, 200,000 next year and 500,000 in five years - all at £1 per juvenile fish.

Overheads will peak at about \$100,000, with variable costs at about 3 per cent of turnover, so Mannin's backers are hoping that the initial success will be maintained.

Who are these lucky people? NatWest, which put up £250,000 of loan capital under its growth options scheme, will be paid back at 15 per cent, while at should see the value of its £50,000 of equity grow like fish-farmed turbot.

The rest of the money came from Mannin Sea Farms' management the bulk of it from Mr West's family trust. That was set up by his father, the bestselling Australian writer, Mr Maurice West, author - with an ironic aptness, perhaps - of In the Shoes of the Fisherman.

ien Hamilton Fazey

TRANSPORT

Government seeks bigger say over sea links

WHEN THE · most recent seamen's strike brought the Isle of Man Steam Packet Company's ships to a halt it was yet another reminder - if one were needed - of just how vul-nerable the island is to prolonged industrial action.

True there are other shipping lines that carry cargo in and out of Douglas and the island has an efficient airport. Nevertheless, the Steam Packet Company is the major sea carrier of both passengers and day to day freight and it takes no quantum leap of the imagination to appreciate that any spread of strika action any spread of strike action among other groups of workers — dockers, airport staff and the like — would soon put the island in very serious trouble, if not a state of siege.

It is a spectre that haunts the Isle of Man government and one about which it is more than a little sensitive — well

than a little sensitive - well aware, as it is, that its best-laid plans for a prosperous and respected, as well as largely autonomous society, are open to attack by the actions of workers who belong to main-land-based trade unions.

When the seamen's strike looked like running on into the start of the annual influx for the TT races in June, the gov-ernment reacted promptly by chartering, for flm, a 5,286 tons Ro-Ro ferry from the Fred Olson Line in order to ensure that a service to and from the island was maintained.

In the event, the Steam Packet strike was called off just as the chartered "Bolette" was sailing into Douglas for its statutory inspection by the UK Department of Transport. It was too late to call off the deal with Olson, so the ship spent its charter period running barrants are period running barrants. gain price cruises and trips to Holyhead, patronised mostly hy local residents anxious to escape from the motorhike

madness that grips the island. Not all of the charter costs were recovered, hut as an "insurance" exercise it was probably worthwhile, although inevitably it had its critics.

The Steam Packet Compa-

ny's position as a privately-owned "sole operator" of pas-senger and vehicle ferry services (and hence a large proportion of freight - amounting to roughly a third of its annual husiness) has troubled the Many government for a long time. Last year, against a back-ground of renewed pressure for nationalisation — which was resisted - the Shipping Com-

Any spread of strike action among dockers, airport workers and the like, would soon put the Island in very serious trouble, if not a state of seige

mittee of the Executive Council listed what it described as the "numerous problems" fac-ing tha company which hy then merged with Sealink's Many Line Manx Line

It was a pretty formidable list including, a "precarious" financial position, burdensome manning agreements, weak management, an old fleet, declining traffic, uneconomic routes and a background of ail-ing sipping and tourist indus-tries."

The upshot was a decision to appoint a firm of consultants. Wallem Specialist Management Services (isle of Man) to conduct a study with a brief to examine all options.

The consultants have now

reported and the Shipping Committee has reached some conclusions on its findings. Meanwhile, the committee says, there have been a number of developments. The Steam Packet Company pany has also agreed to make its business plan available to the government to form the basis of future discussions.

The Shipping Committee has come up with its own set of proposals following consideration of the consultants report and its discussions with the company.

It rejects - as did the consultants - any form of nation-

has improved its financial posi-tion. It has taken steps to

resolve difficulties over man-

ning agreements and its direc-tors have agreed that there is a

need to implement a range of other improvements. The com-

pany has also agreed to make

alisation, commenting: "The concept does not fit easily with our general aim of creating a

take particular actions. In any event the outcome might, at the end of the day, simply be another monopoly.

The Isle of Man Government

prosperous and caring society based on enterprise hut, more importantly, we do not believe it would be helpful. Ownership by the government would not protect the service from industrial action and neither would it improve the operating of the

The Wallem report recommends that another operator should be subsidised to compete against the Steam Packet Company "in order to stimu-late efficiency and improve ser-vices." But this option is rejected by the government committee it would it says, be an illogical step to subsidisa one operator in order to encourage another to under-

holds a minority shareholding in the Steam Packet Company. The committee proposes that this should be sold. It says the shareholding does not provide for any measure of control and has proved to be an embarrassment during industrial dis-putes since it has been difficult to convince the National Union of Seafarers that the govern-

of Seafarers that the government was genuinely neutral.

What most concerns the Shipping Committee is that the government, as things stand, lacks any real influence over the shipping company's operations in what, for the island, is a crucial arce. It believes the government must have some form of sanction that enables "hroad strategic issues to be positively influenced when appropriate."

It says that this would be possible if the government owned the linkspans at Douglas Harbour and it wants to enter into negotiations with

enter into negotiations with the Steam Packet Company to buy them. Should these negoti-

ations fail, Tynwald would be asked to pass legislation for their compulsory purchase. Ownership of the two Doug-las linkspans would give the government a neat but highly effective means of influencing policy since it would mean that it could grant, or withold, the vital use of them. Access would only be given to an oper-ator prepared to "provide ser-vices of specified frequency

and standard."

It is a clever proposal, if a coercive one. The way the continuing argument develops over the next year will be interesting, with the reaction of Mr James Sherwood whose Sealink group owns 42 per cent of the Steam Packet and who saved it from foundering three years ago - could be most inter-

R W Shakespeare

LABOUR RELATIONS

Goodwill no longer enough

mainland UK. They range from the big guns, like the Trans-port and General Workers, which dominates and has a modern headquarters in Doug-

Industrial relations on the island are officially described as "very good". Although the seamen's stoppages get a high profile, strikes are rare. Picket-ing, when it takes place at all, is orderly and non-violent. But, amazingly in modern democracy, the island has little by way of industrial relations leg-

There is no equivalent of the Employment Protection Act, or requirement for unions to ballot before strike action. Protection against unfair dismissal is limited and equal opportunities

imited and equal opportunities rest on goodwill.

People on the island therefore felt very vulnerable earlier this year when a build-up of minor disputes culminated in a wave of sympathy strikes which led to the nearest length a general strike it reasonable. to a general strike. It paralysed the island, shutting its port and airport and shaking even the unions with the realisation of the extent of their own

It was a shock. Mr Miles Walker, the chief minister, puts it this way: "The way it happened surprised people in

THERE ARE 23 trades unions with members on the Isle of presentation by the people who man, all of them based in went on strike that might have warned people of the repercus-

"It was all left in the air and we had to wait until the Monday it actually happened to see exactly how it was going to affect us. That sort of uncer-tainty disappointed and wor-ried people. But it was an expression of concern by the

tions. The process includes widespread consultations, which have included open-door sessions for the public at large in schools, meeting balls and similar such venues around the island.

Mr Len Collinson, the con-

sultancy's managing director, is an acknowledged expert in the field. His industrial relations track record includes a

"There is need to bring our law up to date".

workers and I would not expect it to be repeated."

The main reason why is that The main reason why is that government has decided that the island cannot afford to live without trades union laws that will confer rights and responsibilities on both sides, perhaps similar laws to the UK's.

This legal framework, it hopes, will help create a better atmosphere in which confrontation or the threat of it will be reduced. If people, again, on

tation or the threat of it will be reduced. If people - again, on both sides of industry - have guarantees, will they need to invoke their ultimate weapons to force the hand of others?

The Isle of Man government has therefore appointed Collinson Grant, a Manchester-based firm of specialist consultants, to conduct a thorough survey of the whole area of individual and collective rights on the and collective rights on the

period as director of manpower at Plessey Telecommunica-tions. Ris firm does the yearly, negotiations and handles lahour relations for many medium-sized and smaller companies in the north west of England. He is a member of the Department of Employment's Enterprise Advisory

Group and a regional council-lor of the CBL The government has set its stall out to create a prosperous and caring society based on a free enterprise economy in which the island's role as an offshore financial results not a professor financial results not a prooffshore financial centre pro-vides the dynamic for growth in other sectors.

It also wants an expanded, more balanced, population and an influx, under controlled conditions, of new high value manufacturing industries. It

wants to consolidate and exploit its relationships with the European Community. move its tourism up market, establish an international rep-utation for honest dealing throughout the world and care for its own citizens. At the same time it is determined to preserve its historic indepenence and autonomy.

All this implies fundamental change, not least in the area of moving the island out of a low wage, and largely unskilled, employment pattern; a community which is already identifying a number of basic inequalities; between the haves and the have note; hetween opportu-nity and the absence of it; between the apparent "rights" of some individuals as compared with others and, in some

areas between the sexes.

Mr Walker says: "There is need to know exactly where we are going. That is why we have taken on Collinson Grant as experts. We expect their report in October and would hope to hring in legislation

"Changing the law will not change things without the right will, but that is what we are trying to generate at the

R W Shakespear

Channel Islands

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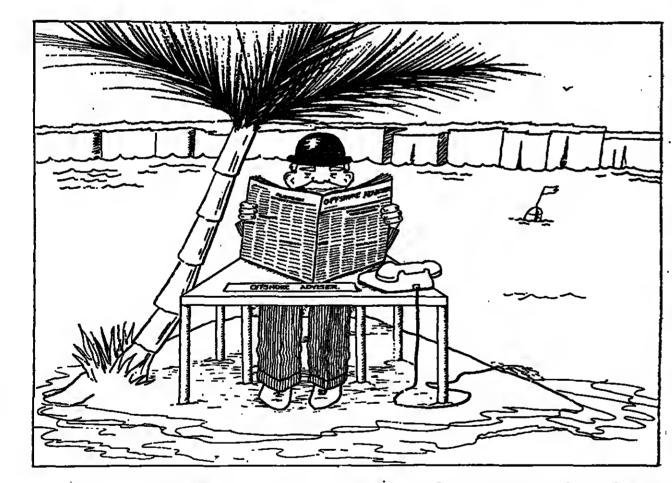
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FINANCIAL TIMES COMPANIES & MARKETS

Friday July 29 1988



Chrysler sacrifices profit for gain

INSIDE



unveiled a 24 per cent decline in second-quar-ter profits to \$320m, n result of price-cutting to gain market ahare in an increasingly competitive nrena. Sacrificing nhort-term profits - through rebates

and heavy advertising costs - was necessary to boost Chrysler'n position in the market, he said. Page 18

Nissan takes the satellite step Following in the steps of General Motors and Ford, Nissan Motor is to become the first Japa-nese car group to integrate its development

and production centres in Japan, Europe and the US with a global satellite-linked computer aided design network. Page 20

Barclays soars to £618m



Barciays, Britain'a second largest commercial bank. increased pre-tax profits by 17 per cent to £615m (\$1,06bn) In the six months to Juna. Bank analysts said the results hold out the prospect of more rapid growth in the second half.

Rimoldi sews up \$116m deal with Rockwell

Managers at Rimoldi, Italian manufacturer of . sewing machines, have complated what is believed to be tha country's largest-ever management buy-out. Rockwell International, which acquired complate control of the company in 1973, agreed to the \$116m deal with 11 of Rimoldi's sanior managers. Charles Batchelor reports on the details of italy's latest management buy-out. Page 20

Maxwell link hits hard times



Negotiations ara far from easy on the proposed communications link between Robert Maxwell, UK media Société Générale de Belgiqua, an off-shoot of Compagnia Financière de Suez, the French financial proup which recently won a battle for

Carlo De Benedetti (above), italian antrepreneur. Maxwell's bid for Macmillan, the US pub-Jishing group, and the political controversy reging over his stake in France's leading advertising and media group, have sparked lears that the proposed link will be pushed to the back burner. Page 19

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Yamaichi links with US merger specialist

By Stefan Wagstyl in Tokyo and Gordon Cramb in London

YAMAICHI Securities, one of cial groups to break into a busi-Japan's Big Four stockbrokers, ness dominated by US invest-YAMAICHI Securities, one of Japan's Big Four stockbrokers, is forging a link with Lodestar Group, a new Wall Street mergers and acquisitions specialist, set up by two former top investment bankers at Merrill Lynch. Yamaich's move follows the announcement this week by Nomura Securities, the biggest Japanese securities house, of a \$100m tie-up with Wasserstein Perella, another recently-formed "boutique" – or small and specialist – bank.

The ventures reflect the growing interest of Japanese compa-

ing interest of Japanese compa-nies in overseas takeovers and the keenness of Japanese finan-

ment houses.

The moves by Yamaichi and Nomura mean that of the Big Four broking companies only Daiwa Securities has no US

mergers and acquisitions part-ner. Nikko Securities linked last year with Blackstone Group, a year with Blackstone Group, a private New York bank, putting up \$100m for funding buy-outs. Lodestar was established in February by Mr Ken Miller, for-mer head of mergers and acquisi-tions at Merrill Lynch, and Mr Tull Gearreald, a former Merrill managing director in charge of managing director in charge of corporate finance.

The eastern promise of Wall Street

Stefan Wagstyl in Tokyo looks at reaction to Nomura's deal with Wasserstein Perella

APANESE BANKERS dis- bad," said the bank's M&A spe closed yesterday that Was-serstein Perella, the Wall Street "boutique" bank which has forged a link with Nomura Securities, started talking to them about possible tie-ups almost as soon as the US com-

Several Japanese companies now expected to redouble efforts to find US corporate finance partners of their own, although none is likely to invest as much as

Nomura, Japan's largest stock-broker, is paying \$100m for a 20 per cent stake in Wasserstein Perella, a mergers and acquisi-tions (M&A) specialist founded six months ago by Mr Bruce Was-serstein and Mr Joe Perella.

Until February, they headed the mergers and acquisitions team at First Boston, the investteam at first Boston, the invest-ment house, and took the bank to the top of Wall Street's M&A league. They quit following a boardroom row, started business on their own and have since han-dled deals totalling 519bn.

The view in Tokyo is that

Nonura has taken a calculated risk in teaming up with probably the best M&A boutique on Wall Street, but possibly the one which will prove hardest to con-

One leading Japanese bank with a fast-growing M&A busi-ness said it considered a link very seriously. But it rejected it for fear that conflicts of interest might arise. As a Japanese bank it represented Japanese compa-nies looking to buy assets in the US. If it invested in an American bank which advised potential sellers of assets, conflicts of interest could arise.

"At least, our clients might start worrying and that would be

cialist. The bank would consider other American partners. Mr. Wasser-stain and Mr Perella were uniquely talented but they were too strong to work with closely. "They are very powerful personalities. We want to find someone we will be comfortable with," said the banker.

An M&A specialist at another Japanese bank said Wasserstein Perella's expertise did not match the needs of most Japanese corporate clients. Japanese compa-nies were mostly interested in making foreign acquisitions worth \$10m or \$50m. Wasserstein Perella's expertise lay in deals of \$500m-plus. Nevertheless, Tokyo bankers

concede that the deal could well make sense for Nomura – not just in M&A but also in deepening its relations with Japanese industrial clients, reducing its dependence on stock trading and broadening its base as an invest-ment adviser in the Wall Street Three Japanese financial institutions have made bigger invest-ments in Wall Street - Nippon Life, Yasuda Life and Sumitomo Bank - but none of these involve such close operating

links as the Nomura-Wasserstein Perella agreement.
Nomura is by far the largest
and most profitable of Japan's Big Four stockbrokers but it has fallen behind in developing M&A business. The securities house with the greatest domestic exper-tise is reckoned to be Yamaichi Securities, which also this week announced a US tie-up — with Lodestar Group, a boutique formed by ex-Merrill Lynch investment bankers. Nikko Securities was first to

Yamaichi will take a 25 per cent stake in Lodestar Partners, e joint venture company which will manage leveraged buy-oots. Lodestar Partners is launching a \$500m fund for buy-onts to which Yamaichi will contribute about \$100m - mostly collected from Japanese institutional

investors but partly from its own resources. A Yamaichi official said the company's own contri-bution could be \$30m to \$50m. Mr Miller said in London yesterday that the fund, being mar-keted over the next two months, would be used in co-operation with company managements rather than in taking antagonis-

tic market positions which the Japanese would not favour.
"Our investors will probably include corporate pension funds which have no more interest in a hostile approach than they do," he said.

Some \$125m is being raised in Europe through James Capel, UK stockbroker, with the rest com-ing from the US where Lodestar Partners is likely to concentrate its initial activities.

Yamaichi's direct investment in Lodestar Partners was undis-closed but is thought to be modest in relation to the Nomura deal.

WALL STREET

		And the Control of	and the first five pro-
APANESE CO.	WALL ST. CO.	STAKE (%).	INVESTMEN VALUE (\$m
Nippon Life	Shearson Lehman Hutton	(8)	538
mitomo Bank	Goldman Sachs	125	500
Yasuda Life	Palnewabber	18	300

Stimitotino Balik	Goldman Sachs	2237	500
Yasuda Life	Palnewebber	(18)	300
MERGERS	AND ACQUISITION	SPECIALIS	TS
industriel Bank of Japan	Schroder	95	_
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Nikko Securities	Blackstone		*
Nomura Securities	Wasserstein Perelia	20	100
Yamalchi Securities	Lodestar		jement ement

* No Investment, Hikke has put \$100et in a fund run by Blackstor

form an overseas alliance - linking last year with Blackstone Group, a private New York investment bank. Nikko has put up \$100m for use in funding

raged buy outs. As a result Nomura had to take a big jump. One Japanese banker said: "Maybe they thought they were behind. Maybe they thought they should team up with power-ful people to catch up." ful people to catch up."

Also, while the bulk of Japa-nese corporate investment overseas may be in deals worth under \$100m, the new partners would only have to secure one or two of the very large transactions which have already happened to become profitable. Sony's acquisition of CBS Records last year was worth \$2bn; Bridgestone is paying \$2.6bn for Firestone Tire and Rubber. Mr Yoshiharu Senoue, joint managing director of busi-ness development at Sanwa

Bank, said these big deals could become more important in the future.

Moreover, a move into mergers and acquisitions will allow Nomura to reach into the core of Japanese banks' business -which is advising industrial com-panies on commercial strategies at home and abroad. Bankers scoff at this thought - saying that securities companies are too interested in earning fees in the short-term to be able to develop long-term relationships with cli-

But Mr Yasuo Kanzaki, an executive vice president of Nikko, says Japanese companies will increasingly turn to whoever can give good advice — not just banks and securities companies but also life insurance companies and Japan's big trading houses which have vast information net-works around the world.

Two sacked at Norsk Hydro unit after losses

By Karen Fossil in Osio

has dismissed two senior employ-ees in its Hydro Aluminium subsidiary's trading unit. It also dis-closed NKr226m (\$33.5m) in trading losses at the nuit.

The problems at the Lausanne-based Hydro Trading, which had a profit of NKr23m a year ago, stem, apart from the trading losses, from alleged business mis-conduct by the two former employees which was revealed by internal company audits. Despite the setback, Norsk Hydro yester-day announced record half-year

Hydro Aluminium claimed yestriday that the two former execu-tives. Mr Frode Gjoen who headed the trading division, and Mr Peter Cleave, a Briton who was his deputy, transferred company commissions worth about NKr10m into their own private

Hydro Aluminium also claims that the pair overstepped the company's limits on trading. On July 22, the subsidiary turned the affair over to Swiss police who have subsequently commenced

investigations. Hydro Aluminium had already suffered losses of more than NKr80m earlier this month when one of its clients trading in aluminium, EuroContinental, went

bankrupt.

Norsk Hydro pumped in \$20m of fresh capital to belp restore

NORSK HYDRO, Norway's arm, replaced Mr Gjoen by Mr largest publicly quoted company, has dismissed two senior employ-Cleave's contract of employment. Meanwhile Norsk Hydro

reported a net profit of NKr1.844bn in the first half of 1968 compared with NKr1.049bn in the same period of 1987. The buoyant result is due to increased operating income in agriculture, light metals and petrochemicals. It was also boosted by the sale of the company's 30 per cent stake in the troubled Mongstad refinery to Statoil, the Norwegian state oil company,

from which it netted NKr228m. The agriculture sector posted an operating income of NKr904m in the period compared with NKr392m last year. This was due to marked improvements in the urea market and cost cutting measures. Fertiliser margins remained unsatisfactory in the period but were better than in 1987.

Operating income for the oil and gas sectors declined to NKr707m from NKr1.138bn due to lower oil and gas prices. Refining and marketing activities also continued to make losses.

Light metals lifted its operating income to NKrl.185bn from NKr637m. Aluminium prices were high in the latest period but costs of raw materials increased. Petrochemicals increased its operating income to NKr851m from NKr356m in the first six the confidence of the trading months of 1987.

BICC to pay £90m in Ceat Cavi deal

By Andrew Taylor, Construction Correspondent, in London

and construction group, bas agreed to acquire the cable-making business of Ceat Cavi, Italy's second-largest cable manufacturer, in a deal worth £90.4m

assume debts of £55.1m owed by Ceat Cavi, which is owned by Fornara, the Italian industrial BICC will also issue 10.2m shares worth £35.3m to Fornara. The shares will represent 4.3 per

cent of BICC's enlarged capital. When the deal is completed borrowings will represent around 25 per cent of BICC shareholders' The British group said the acquisition represented the first

major European presence for BICC. The group already has a small Portuguese operation.

BICC, the British electric cables Cavi which will cootinue to be run by the existing management, said Mr Robin Biggam, BICC's chief executive.

Ceat Cavi turnover was L231bn (\$169m) in the year to December 31, 1987. Operating profits attrib-BICC has also agreed to utable to the cable-making operations were L41.4bn which would provide a full year pre-tax 25.800 atter taking account interest charges on the debt taken over by BICC.

BICC and Fornara say they will consider other possibilities for co-operation between the two

companies. "This acquisition is an important step in our preparation to take full advantage of the integration of European markets planned in 1992," said Mr Big-

"Ceat Cavi is a well estab-Dr Accornero, Fornara's chairman, will remain as head of Ceat growing national market."

Revco files for Chapter 11 in largest buy-out failure

By Anatole Kaletsky in New York

REVCO D.S., at one time the biggest and fastest growing drug store chain in the US, yesterday became by far the largest failure among US leveraged buy-outs. Its voluntary Chapter 11 bankruptcy filing in Akron, Ohio, came less than 19 months after it was taken

private in a widely-applauded \$1.3bn LBO. Many economists have been warning for years that US busi-ness could one day be overcome by a deluge of LBO failures. But while the case of Revco, the first billion-dollar buyout to go under, may seem to give some credibility to such predictions, it was seen on Wall Street as very different from the hundreds of other

highly leveraged deals which have been done in the last five Revco's troubles began almost

or disappointing growth in consumer spending, but by its own managerial failings.

An even more important factor

seems to have been that over-ambitious growth projections and profit targets built into its financing, which was put together by Salomon Brothers. In the original proxy statement for its buyout, Revco, which had enjoyed 20 years of uninterrupted growth before the buy-out, pre-dicted sales growth of 50 per cent

to \$3.37bn in the year to May 1988. Instead sales grew by only 5 per cent to \$2.44bn, while profit margins proved even more disap-pointing.

in the last full year before the LBO, Revco earned \$141.4m. But operating earnings declined to around \$70m annually and cash

The company's founder and chairman, Mr Sidney Dworkin, was forced oot within six months of the LBO as the company's performance disappointed its inves-tors. Another chief executive was replaced a few months later by the company's current chairman

While several other big LBOs have foundered over the past few years, no other deal as big as this had previously unraveled so badly as to involve the bank-

ruptcy courts.

Revco had hoped it would be able to renegotiate its obliga-tions. Only three weeks ago, after missing a series of interest payments, it put out a statement that it would not be seeking bankruptcy protection. Earlier this year it replaced Salomon Brothers as its adviser and hired

flows of around \$120m proved as soon as its LBO was cominsufficient to meet the newly-acquired interest bill of around Drexel Burnham Lambart to Philips 44% second-quarter fall

PHILIPS, the Dutch electronics PHILIPS, the Dutch electronics giant, yesterday blamed a 44 per cent piunge in second-quarter earnings, to the lowest quarterly level in five years, on competition from south-east Asia. For the first half, net income fell 20 per cent to FI 338m (\$94m).

Although the results were "dis-

Although the results were "disappointing," Philips predicted that full-year net income — including potential extraordinary zains from disposals - would at least equal the tha Fl 818m. achieved in 1987.

Net income collapsed to
FI 121m in the second quarter,
from FL 215m in the 1987 period,
as Phillps sought to preserve

market share by slashing profit

margins. Competition was keenest in consumer electronics, where South Korean manufacturers allegedly drove down prices in small television sets, among other products. Extraordinary gains, for example through joint ventures, are expected to reverse the decline in the second half, according to Mr

H.H. Appelo, director for account-Philips still hopes to spin off its large domestic appliances and medical equipment activities into joint ventures. It also might float Polygram, its music production subsidiary, and sell part of its stake in APT, the telecommunications joint venture with AT&T of tha US.

In addition, production costs are due to be cut through layoffs and plant closures, but most suchsavings will not materialise

Mr Appelo said the consumer electronics division, which was plagued by losses in the past, remained in the black but he conceded that some products were losing money,

Adverse currency movements and weak prices were blamed for an 11 per cent fall in first-half operating income. Sales climbed 6 per cent to Fl 25.5bn.



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Chrysler's second quarter hit by price cutting

CHRYSLER, the third largest at home. It earned \$320m or US motor manufacturer, suf-fered a significant decline in quarter, down 24 per cent from profits in the second quarter as share against larger US and

Japanese rivals. Chrysler's results confirmed the message from the earlier second quarter reports of Ford and General Motors - that competition in the US car mar-ket has continued to intensify despite the lower dollar and the unexpected strength of retail demand.

Unlike the other two US motor manufacturers, Chrysler had no significant overseas operations to insulate its results from tough conditions

SEMATECH. tho government-subsidised

research consortium estab-lished by the US semiconduc-tor industry last year in an

attempt to restore its interna-tional competitiveness, has

finally found a high-powered

Sematech's chairman and

chief executivo is to be Mr Rob-

ert Noyce, vice chairman of Intel and a legendary figure in

The project is to be financed with \$500m of grants from the Pentagon, over five years. This money will be matched by equal contributions from the private sector. One of Mr Noyce's main objectives will be to convince Congress that this level of government subsidy

level of government subsidy, unprecedented for an essen-tially civilian research pro-

NEW ISSUE

SEMATECH.

quarter, down 24 per cent from the \$424m or \$1.98 it reported a

For the first half of this year, the net profit was \$597m or \$2.69 a share, before allowing for a \$93m provision connected with plant closures. The comparable figure for the first half

Mr Lee Iacocca, chairman, made no apology for the declin-ing results, asserting that he "know wa were sacrificing short-term profits to gain market share in this fiercely competitive environment.

Chrysler deliberately main-tained the lowest prices in the

child Semiconductor, Silicon

Valley's first great research and manufacturing powor-

and manufacturing power-house, and then went on to start Intel, in a pattern of sci-entific entrepreneurship which became a model for a whole generation of semiconductor

The chief operating officer of the consortium will be Mr Paul Castrucci, a top engineering manager from International Bosiness Machines, Mr Cas-

trucci's appointment could do almost as much to enhance Sematech's credibility as Mr

Not only will Mr Castrucci's position help to cement IBM's support for the project, it will

Sematech finds top management team

gramme, continues to be justified.

Mr Noyca was one of the original inventors of the integrated circuit. He founded Fairing facility in Burlington, Ver-

industry, while giving rebates that ranked among the highest and committing heavily to marketing programmes, be said. During the second quar-ter Chrysler sold 42 per cent of its passenger cars for prices lower than last year's.

This effort brought a twopoint market share gain in trucks to 20.7 per cent and a half-point advance to 11.3 per cent in the car market. The company's combined car and truck market share increased by 0.9 percentage points to 14.4 per cent. With Ford and GM also performing strengly, Chrysler's gains were mainly at the expense of the importers, who lost 2.8 per cent of the

mont, one of the few US-based

semiconductor plants which is acknowledged to be fully com-petitive with the Japanese.

However, despite the new managers' distinction,there

seemed to he some serious drawharks to the appoint-ments, which were announced

in Washington on Wednesday.

Tha fact that Mr Noyce had had to take the job of chairman, in particular, underlined the shortage of managerial talent in the semiconductor industry as well as raising doubts about the commitment to the Sematech group.

Mr Noyce, who is 60, had previously indicated that he

Tha fact that Mr Noyce had



short-term profits US vehicle market in the sec-

ond quarter. Net revenues increased by 32 per cent in the second quarter to \$8.45bn. In the first six months of 1988, rovenues advanced by 30 per cent to \$16.16bn while retail sales volumes increased by 16 per cent

would not be interested in the job. He was, in fact, the co-head

of the saarch committee appointed by the consortium to

find a suitable candidate to run Sematech.
Mr Noyce acknowledged yesterday that it was only after the committee failed in all its

efforts to find another suitably

qualified candidate that he

bowed to pressure to accept

the job.
"He really took it out of a sense of obligation — it was an act of patriotism," one industry

consortium's 14 member com-

panies and conducting its all-important dealings with the

US Congress and Defence

Kerkorian capital raising plan collapses

By James Buchen

A COMPLEX, controversial plan by Mr Kirk Kerkorian, the West Coast businessman, to reorganise his movie holdings and raise around \$172m in outside capital collapsed yesterday because of disagree-ment with the main investors. MGM-UA Communica-MGM-UA Communications, the loss-making company formed by Mr Kerkorian from the remains of the MGM and United Artists studios and \$2 per cent owned by him, said yesterday that it would no longer go ahead with the plan to split the company in two and sell 25 per cent of MGM for \$100m to two Hollywood producers backed by Mr Burt Sngarman, a Beverly Hills Sngarman, a Beverly Hills

entrepreneur.

MGM/UA stock, which has traded as high as \$19 this year. tubmled \$11 to \$113 in early

trading yesterday.

The deal, which was announced on July 11, was part of a rights issue which would have raised a further \$72m from the minority public shareholders of MGM/UA but left Mr Kerkorian with major-ity stakes in both studios. Some observers on Wall

Street and in Hollywood were baffled by the deal and felt Mr Sugarman and the producers, Mr Peter Guber and Mr Jon

Mr Peter Guber and Mr Jon Peters, were paying too much for their share of MGM.

Mr Stephen Silbert, a close associate of the reclusive Mr Kerkorian and chairman of MGM/UA, said there were "extensive discussions and negotiatations over the past two weeks in an effort to agree tho terms of the proposed transaction. Unfortunately, we were unable to reach a settlement." executive commented.

Mr Noyce is likely to take charge of Somatech external relations, including trying to maintain consensus among the

• Wait Disney, the film-production and theme-park com-pany which is enjoying a pow-erful revival of its fortunes, yesterday reported its highest quarterly earnings and reve-

iues. The Burbank, California The Burbank, California company, which has seen earnings rise steadily since a management shuffle in 1984, said that net income in its third quarter to June 1982 35 per cent from continuing operations to \$165m or \$1.20 a share. Revenues were up 22 per cent to \$915.7m

operations to \$165m or \$1.20 a share. Revenues were up 22 per cent to \$915.7m

At the nine-month stage, Disney's earnings from continuing operations were 37 per cent ahead at \$385.6m or \$2.51 a share on a 14 per cent increase in \$2.21m. Revenues were 14 per cent higher at \$2.42m.

The best performance came from Disney's revived film business, where Three Men and a Baby and Good Morning, Vietnam — which have grossed some \$290m — contributed strongly to the quanter's results. Operating income from films and cable in the June quarter rose 133 per cent to \$47.9m on a 46 per cent rise in revenues to \$259.6m.

In the larger theme parks business, which includes Disneyland in California and Walt Disney World in Florida, operating income in the quarter was up just 1 per cent to \$190.4m despite 12 per cent better revenues at \$599.9m, The company said attendance was down on the high levels of 1967.

Disney's consumer products business, which markets records and books, saw operating income rise 36 per cent to \$33.6m on a 43 per cent jump in revenues to \$56.15m.

Managers in Rockwell unit buyout By Charles Batchelor

ELEVEN SENIOR managers at Rimoldi, an Italian manufacturer of industrial sewing machines, have staged a \$116m bnyout of their company from Rockwell International, the US aerospace, electronics and automotive groun tronics and automotive group in what is bolieved to be Italy's largest management

Bimoldi is based in Olcalla, near Milan and has distribution and assembly operations in Britain, France, Germany, the US and Brazil. The comthe US and Brazil. The company expects to make a pre-tax profit of L28bn (\$20m) on turnover of L28bn people of whom more than L000 are in Italy.

The buyout team is headed by Mr Nicola Canziani, managing director, and Mr Alfonso Ostinelli, general manager. The deal was arranged by the Milan office of Citicoro, the US

Milan office of Citicorp, the US bank, with loans provided by Citibank and mezzanine finance - high-yielding loan finance - arranged by Citicorp in London.

The deal comprises \$70m of loans and working canital. loans and working capital, \$26m of mezzanine finance, and \$20m of equity all pro-vided by Citicorp/Citibank. Citicorp is now syndicating all three layers of the finance for the deal among other investors

Interco shares soar after \$2.31bn takeover offer

By James Buchan in New York

INTERCO, the St Louis-based consumer products company which is America's largest men's shoe and furniture maker, faces the prospect of takeover after yesterday's \$2.81bn offer from a group of

Stock in Interco, e \$3.3bn-sales company that sells cloth-ing hardware and furniture, soared \$8 to \$67% in heavy trading on Wall Street in response to the announcement of a \$64-a-share offer from City Capital Associates. Interce said it would study the offer. City Capital, an investment

8.7 per cent of Interco's stock.

Analysis interes wald yesterday that interco, under Mr Harvey Saligman, chairman, would probably resist take-over. They also said that the SH share offer was too low for the company, which has performed slaggishly in recent years but still emoyed net income of \$145.0m on sales of \$3.94bn lest year.

This is a valuable company. 200 ger a valuable commodity, said sewart Mr Robert Buchanan, an ana. 200ds.

partnership, also said yester-day in a statutory filling that it had spent \$156.7m on buying have some excellent brand

MY

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names."
The company's main businesses, making and selling furniture through such chains as Ethan Allan, and its large shoe business, including the Florshelm and Converse brands, are doing well. Mr Buchanan said. But in common with the rest of the clothing industry. Interco has been burt by a fall in demand for women's fashion. The company also operates ion. The company also operates 200 general stores selling hou-sewares and do it yourself

DEC advances 6% to \$401m

DiGITAL Equipment (DEC), the world's leading manufac-turer of mini-computers and one of the most widely-held institutional investments on Wall Street, managed a small improvement in its mosts dur-ing the latest quarter, after the flat results it reported three

months ago.

DEC net earnings for the three months ended July 2 were \$401m or \$2.08 a share. This was 6 per cent higher than the \$877m or \$2.85 the company made a year earlier. In the three months to March 26, DEC made \$305m, a mar-

For the 12 months to July 2, which was the end of DEC's fiscal year, the company made \$1.31\text{in or \$9.90 a share, a 15} per cent improvement on 1987. A year ago, when DEC earnings were growing at an annual rate of 77 per cent, the company was one of the most enthusiastically promoted glamour stocks on Wall Street. Its share price, which yesterday closed \$1% down at \$102%, peeked at \$100% shortly before

ginal reduction on its \$308m profit in the March quarter of

The latest quarter's results were announced after the market closed last night. The mild improvement in profits seemed unlikely to lift investors' spirits, since several analysts had forecast somewhat better

Despite the relatively lack-lustre earnings performance. company was one of the most enthusiastically promoted glamour stocks on Wall Street. Its share price, which yesterday closed \$1% down at \$102%, peaked at \$199% shortly before last antumn's stock market [Instre earnings performance, there has been no sign of decelleration in the company's decelleration in the company's factoring performance, there has been no sign of decelleration in the company's factoring performance. There has been no sign of decelleration in the company's manufacture and the performance. There has been no sign of decelleration in the company was one of the most there has been no sign of decelleration. The performance in the performance are also been no sign of decelleration in the company's factoring performance.

US utilities in \$2.3bn merger

By Our New York Staff

SOUTHERN California Edison, the main electric utility servthe main electric utility serving the Los Angeles area, has proposed a \$2.3bn merger with San Diego Gas & Electric, a takeover which would create the largest privately-owned athity company in the US.

The offer appeared to undercut an earlier merger proposal made to San Diego Gas hy Tucson Electric Power in Arizona. In either ease, the mergers would be effected by stock exchanges with no cash consid-

exchanges with no cash consideration involved. Regulatory approval would be required and both hidders have stated that they would only pursue a friendly merger.

Seuthern California Edison's offer, which was announced on Tuesday night, would exchange 1.15 shares of common stock in SCEcorp, its publicly-quoted holding company, for every share of San Diego Gas. SCEcorp said the issue of new shares would increase its outstanding equity by about 29 per cent.

industry adapts to abrupt changes in generating costs, demographic movements and

San Diago Gas, serving one of the fastest growing areas of the US, has found itself chronicly short of generating capacity in recent years and has charged the fifth highest rates in the country to no far toward. per cent.

A combination between SCE and San Diego would create a company with revenues of around \$5.70n, 4.7m customers and 78 gigawatts of electric generating power. It would be much the largest in a series of utility mergers as America's highly fragmented utility stream.

Cash-rich Placer Dome goes hunting for mining bargains

David Owen on the Canadian gold producer's

aims Placer Dome, the world's largest gold producer outside South Africa and the Soviet Union, is scouring the globe for promising mineral deposits in which to invest.

But the Canadian company, formed a year ago by the amal-gamation of Placer Develop-ment, Dome Mines and Camp-bell Red Lake Mines, will not

plough money into South Africa and is unlikely to buy an operating mine, unless it is undervaiued. "We would rather buy bullion than a gold mine at full value," says Mr John Walton, president and chief executive.

John Walton, president and chief executive.

The group boasts a cash hoard of more than C3600m (US\$666m) and is virtually debt-free. Its already exceptional halance sheet was strengthened further by last month'o C\$960m sale of its 24.7 per cent stake in Falconbridge, the Toronto-based nickel, sine and copper producer.

But Mr Walton made clear that the company's spare money was not burning a hole in its pocket. "When you are underleveraged, you feel tremendous pressure to reinvest and may make decisions you wouldn't have made other-

wise," he said. "A cash kitty is important: mining is very opportunistic."

Since its formation in August 1987. Placer Dome has established itself as a knowledgeable and hard-nosed mining company with a reputation for shepherding low-cost mining the project near Perth are estimated at under US\$200.

Corporate assets include both the Endako molybdenum ming - at C\$2 a lb cited by Mr Walton as the world's lowest cost producer of this steel additive — and 34 per cent of the

"Combining the North American cash flow of the Dome group with Placer Development's expertise internationally has formed a very strong vehicle," Mr Walton says.

The company is embarking on a pariod of rapid expansion. The development of three new mines — in Papua New Guines, Australia and Canada — will raise its gold production

- will raise its gold production by a projected 60 per cent from 781,000 oz in 1987 to 1.3m oz in

The new mines will also reduce Placer Dome's average production costs, which have edged up to around US\$230 an 02 of late, in line with the Canadian dollar's sustained

in the two-month commis-sioning period and its first year of operations, the Misima property in Papua New Guinea is expected to yield some 400,000

tive — and 34 per cent of the vast Real de Angeles silver mine in Mexico. This property is so viable that, on occasion, the proceeds from by-product sales alone cover all production costs.

Perhaps the company's one potential weak link is its 68 per cent-owned Gihraltar copper mine in British Columbia. According to Mr Walton, this property needs copper prices of more than 75 cents a lh in

more than 75 cents a lh in order satisfactorily to pay its way. Even so, the operation was profitable in 1987, boasting earnings of C\$13.9m on C\$71.2m of sales.

The group is widely expected somer or later to sell its North Amarican oll and gas operations, which had earnings last year of C\$24.6m on turnover of C\$99.7m. "Wo consider these as investments — as we these as investments - as we did the Falconbridge stake," says Mr Walton.

Canadian mines surge ahead

By David Owen in Toronto

TWO MAJOR Canadian mining houses report strang quarterly earnings spurped by the sus-tained improvement of various

metals markets, Rio Algom, the Toronto-based subsidiary of Britain's RTZ, reported second-quarter net income of C\$33.7m (US\$27.8m) or 75 cents a share compared with profits of C\$22m or 50 cents a year ago. Revenues rose sharply to C\$511m from C\$395,1m in 1987,

Half-year earnings totalled tions, while, the group's Nov. Scotia tin mining operations revenues of C\$975.9m, against reported a loss for the four CE38.2m or 86 cents on revenues of C5758.9m last time.

The improvement was due to higher earnings from the particular to the company of the

in-held Lornex copper opera-tion, and the group's steel manufacturing, metals distri-bution and potash units. Uranium earnings declined

because of lower production and adverse currency fluctua-

share, up from C\$254m or 91 up from C\$502m or C\$1.81, on

Scotia tin mining operations reported a loss for the four months since March 1 due to depressed world tin prices. Vancouver-based Teck Cor-

poration, in which West Ger-many's Metallgesallschaft holds a minority interest, also improved third-quartar earnings to C\$20.9m or 26 cents a share from C\$9.5m or 11 cents in 1987, Revenues rose 15 per cent to C\$60m from C\$52m,

BCE registers strong first-half growth

cents a year earlier, on revenues of C\$3.79hn against C\$3.78hn. Bell Canada, the regulated telephone utility, earned

BCE, Canada's largest holding

company, recorded strong sec-ond-quarter earnings following higher contributions from its telephone services and equip-ment subsidiaries and sharply lower preferred stock divi-dends.

revenues of C\$7.38bn against C\$7.26bn. Bell Canada's first-half earnings were C\$391m against C\$349m. Northern Tele-C\$190m, up from \$171m. Its com contributed C\$52m in the results are consolidated with second quarter, against C\$50m. lower preferred stock dividends.

Second-quarter net was C\$286m (U\$\$237m) or C\$1 a results are consolidated with BCE.

Second-quarter net was BCE's first half earnings were C\$539m or C\$1.89 a share, share, against C\$50m, and C\$88m in the first half, unchanged from a year earlier.

BCE expects growth to continue in the second half.

Work, rways posted a loss of \$19.9m for the second quarter compared to a year-ago profit of \$6.3m, reflecting an increase in expenses at the subsidiary, much of it related to a \$5.7 per cent rise in capacity during the quarter. suffered a deficit of \$5m in the second quarter, maming its main subsidiary, Pan Ameri-can World Airways, for the losses, writes Our Financial The \$5m loss, on revenues of \$1.07bn, compares with a profit of \$10.5m last time on revenues lty during the quarter.
The unit's loss was partly offset by significantly improved operating results from the Pan Am Shuttle. Pan Am said other factors of \$896.8m. The loss per share came out at 4 cents, against earnings of 8 cents.

contributing to the World Airways loss were a 22.8 per cent increase in fuol expenses, higher rentals and depreciation associated with delivery of new Airbus A310-300 aircraft, and higher costs of new maintenance standards.

The company has been attempting to win wage conces-sions from the unions in order to reduce operating costs. It of \$1.66ba.

Airline problems put Pan Am in the red said salaries and benefits at the World Airways unit increased 11 per cent with cost savings from three of the air-line's five unions offsetting an increase in the number of

employees. Pan Am's half-year net loss rose to \$88.4m or 53 cents on revenues of \$1.98bn, from a midyear loss last time of \$83.1m or 60 cents on revenues

July, 1988

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INTERNATIONAL COMPANIES AND FINANCE

Maxwell bid delays Suez venture

Suez, the privatised French-financial group, and Mr Robert Maxwell are still negotiating a joint communications venture despite Mr Maxwell's \$2.3bn bid for Macmillan, the US pob-lishing concern

But the US bid has seriously complicated the talks aimed at forming a joint communicatorming a joint communica-tions venture between the UK madia antrepreneur and Société Générale de Belgique, (La Générale), the Belgian con-glomerate controlled by Suez after an epic battle against Mr Carlo De Benedetti earlier this.

Suez also acknowledges the negotiations with Mr Maxwell have been further complicated by the noisy controversy that has exupted in Franca over changes in the shareholding structure of Havas, the priva-tised media and advertising group in which both Mr Maxwell and SGB own a 5 per cent

Mr Maxwell and La Générale announced last month they were studying setting np a communications joint venture which would involve Mr Maxwell acquiring a sizeable

COMPAGNIE Financière de Suez, the privatised French group and the pooling together in the new joint venture of Maxwell are still negotiating a

the two parties.

For Suez, the attraction was that the joint venture would consolidate and expand La Generale's activities in commu-

Générale's activities in commu-nications while bringing into the Belgian group a major friendly shareholder.

Suez and its Belgian part-ners control about 80 per cent of La Générale. Suez would like to reduce this stake to about 51 per cent in coming months and eventually even

The share sales would also help the French group wipe out a FFr2bn (\$319m) short term debt risk due to the acquisition of part of Mr De Benedetti's stake in La Géné-rale. The Italian financier retains a 16 per cent stake in

the Belgian group.
Although Soez continues to be interested in a close associa-tion between La Générale and Mr Maxwell, it fears the deal risks moving to the backbur-ner as a result of the Macmil-

Moreover, the proposed Max-

well association with La Generale has assumed a controversial political dimension in France with the behind the scenes manoeovres to change the capital structure of the French privatised Havas media

Mr Maxwell acquired a 5 per cent stake in Havas, France's leading advertising and media group, before starting negotia-tions with Suez and La Géné-

The French side claims there was never any question of using a La Générale-Maxwell association in the communica-tions field as a platform to enable Mr Maxwell to increase his influence at Havas since the Belgian group also owns a 5 per cent stake in the priva-tised French company.

But there was immediately a widespread perception in France that Mr Maxwell was attempting through the deal with La Genérale to increase his stake in Havas and that he was being actively encouraged by the new French Socialist Government as part of its efforts to break-up the core shareholding structures of

A strategy to shed minority shareholdings

The broad strategy of Suez is to divide its FFr6bn share portfolio into two sectors with FFr3bn worth of shareholdings in different companies regarded as long-term stable

groups privatised by the previous right-wing government of Mr Jacques Chirac.

However, Mr Maxwell's manoeuvres appear also to have worried infloential personalities close to the Socialist camp, including Mr Andre Rousselet, a former chairman of Havas and current head of the highly successful French pay television network Canal

Havas is a key shareholder of Canal Plus with a 25 per cent stake in the pay television network. Mr Rousselet, a close friend of President François Mitterrand, was clearly worried by Mr Maxwell's foray into Havas, openly voicing his objections and suggesting that Canal Plus itself was consider-

ing acquiring a stake in Havas. Suez has been at pains to emphasise that Mr Maxwell's manoeuvres around Havas have nothing to do with the French group's interest in associating Mr Maxwell with La Générale in a major Euro-

The French financial group ciaims that a Maxwell-La Générale association in the communications business communications business remains attractive to both parties since it would give Mr Maxwell a significant European platform and reinforce La Générale's ambitions in the communications sector.

For the time being at least the negotiations between Mr Maxwell and Suez seem to have little chance of succeed-

have little chance of succeeding. Suez appears to have no intention or interest in helping support Mr Maxwell's US take-over bid for Macmillan and the last thing it wants is to be caught up in the current political maeistrom over Havas.

Snez also recently acquired a 10 per cent stake in the French Exor group

COMPAGNIE Financière de Suez has sold a 6 per cent stake in Beghin-Say, the French sugar group controlled by Ferruzzi of Italy, for about FF:300m (\$48m), writes Our Paris Staff.

The sale is part of Snez' strategy to shed minority

which the French group considers as passive investments. Suez recently shed its stake in

the Delmas-Vieljeux shipping group for about FFr200m and a stake in Optorg, e distribution company, for FFr60m.

Suez has also launched a policy of acquiring stakes in groups in which it plans to

play an active investment role. This has led Suez to acquire for FFr150m a 5 per cent stake in a holding company which will have a prominent role in the Elders IXL group of Aus-

FFr3bn of holdings rotating on a five-year basis.

Benelux banks combine profits By Our Financiai Staff

erger

GENERALE Bank of Belgium and Amsterdam Rotterdam Bank of the Netherlands yes-terday published combined 1987 results expressed in Euro-pean currency units marking a further step towards a planned

integration. The results showed that the two banks' combined consolidated net profit in 1987 amounted to Ecu354m (\$319m). initial stakes of 9.9 per cent in each other and may raise these to 25 per cent.

The combined balance sheet

total stood at Ecul12.8bn on 31 December, 1987, ranking the alliance seventh among European banks

Based on clients' deposits of Ecu59bn and banks' deposits of Ecu44bn, the alliance was Europe's sixth largest bank, The two banks forged an allithe statement said. Combined ance in February with the aim capital and reserves amounted of forming a multinational integrated banking group loans to Ecul.7bn. within three years. They took, Loans to the private sector

stood at Ecu47.5bn, those to the public sector at Ecu20bn and placings with other banks at Ecu34bn. In March, each bank announced its own 1987

Générale reported a consoli-dated net profit of BFr6.4bn (\$165m), up from BFr5.9bn in 1986. Amro posted a net profit

of Fl 479m compared with Fl 414m in 1986.

The Ecu is a notional EC currency based on a basket of 10 member currencies weighted according to each member's share of EC output.

Beged Or, Israel's flagship

reached Shi 5m (\$3.1m). The

workers will receive money from a fund set up by the Gov-ernment and the Histadrut

trade union federation to enable them to take over the

BHF lifts first

half income

By Our Financial Staff

BERLINER HANDELS-und Frankfurter Bank (BHF), the West German bank, yesterday

reported a rise in first half parent-company partial operating profits from DM70m (\$37.8m)in

the 1987 period to DM77m.
The bank said both groop

and parent business volume was boosted by its foreign activities in the first 1988 half, especially a newly-opened Lon-don branch.

Group business volume rose to DM35.3bn on June 30, 1988 from DM33.7bn at the end of

last year. The corresponding figure for the parent bank increased to DM21.4bn from DM19.9bn. BHF provided no

DM19.90n. BHr provided no group earnings figures.

The rise in the dollar also helped the expansion of business, BHF said without providing further details. But relative stability in the European Monetary System and the dollar led

to falling demand for hedging instruments.

Republic New York Corporation

U.S. \$150,000,000 Putable Capital Notes

nteres means of a section per l' > 210.000 > 90 per libe 27th Limina 1989

Manher Jest Lumpare, London Agent Har

company.

Israel Chemicals to be privatised

ISRAEL Chemicals, the

country's biggest state-owned industrial concern, is to be pri-

The Government has approved plans to sell 50 per cent of the shares to a single, yet unidentified, private investor. Another 20 per cent will be offered to the public on local and overseas stock exchanges. The state will retain a 26 per cent bolding while the remaining 4 per cent will be allocated

Turnover of Israel Chemicals is axpected to be \$1bn this year. Estimates put the value of half the company, the proportion for which the Government is seeking a single investor, at between \$400m and

In a similar package earlier this summer the Government soid the Paz oil company, which accounts for 45 per cent of the local fuel market, to Mr Jack Liberman, an Australian businessman, for \$95m.

compagnie bancaire

¥10,000,000,000

Floating Rate Notes due 1995

In accordance with the Terms and Conditions of the Notes. notice is hereby given that for the Interest Period from 3rd August, 1988 to 3rd February, 1989:

(i) the Rate of Interest for the Notes will be 4.95% per (ii) the Interest Amount will be ¥249,534 per ¥10,000,000

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BBC Brown Boveri to seek acquisitions By Our Financiai Staff

BBC BROWN BOVERI, the Swiss co-owner with Sweden's Asea of the combined Asea Brown Boveri (ABB) engineering and machinery group, dis-closed on Wednesday that it is

The Swiss parent, which merged its industrial operations with those of Asea as of January 1, said in its company newsletter that it plans to use the dividend income from the ABB operations to acquire stakes in

companies. Mr Fritz Lentwiler, BBC chairman, wrote in the news-letter that BBC would remain a financial holding company but may acquire holdings. majority stakes, in other con-

Beged Or, Israel's flagship high-fashion leatherwear manufacturer, is to be given free to its 120 workers. Mr Leslie Fulop, its founder, has agreed to take charge of management and marketing. The flamboyant Hungarian-born Mr Fulop lost control of Beged Or seven years ago when it was put in the hands of a receiver.

Polgat, Israel's biggest texiles group, which acquired it in 1981, closed the company last month when its accumulated iosses were said to bave reached Shl 5m (\$3.1m). The He said the services sector would be BBC's first choice, and BBC could take equity positions in service companies that ABB might divest in the

Cigahotels reports profits of L6bn

CIGAHOTELS, the Milan-based hotels group, yesterday reported flat profits of L6bm (\$4.38m) for the six mouths ended April 30, unchanged from the first half of the previous business year writes Our ous business year, writes Our Financial Staff.

Sales amounted to L114.4bn, compared with L102.9bn. Investments totalled L14.2bn, up from L9hn. Cigahotels Spa said its board approved a L120.5bn convertible bond

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In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest has been fixed at .36875% for the Interest Determination Period 29th July. 1988 to 31st August, 1988. interest accrued for this Determination Period and payable 30th November, 1988 will amount to U.S.\$76.71 per U.S.\$10,000 Note and U.S.\$1,917.84 per U.S.\$250,000 Note.

Agent Bank: Morgan Guaranty Trust Company of New York



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Period 29th July, 1988 to 31st August, 1988 has
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Agent Morgan Guaranty Trust Company of New York London Branch

All of these securities having been sold, this announcement appears as a matter of record only.

July, 1988

\$300,000,000

Société Générale, New York Branch

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INTERNATIONAL COMPANIES AND FINANCE

Demand boosts Asahi

Glass By Ian Rodger in Tokyo

half to June.

PRE-TAX profits of Asahi Glass, the leading Japanese glass maker, rose 31 per cent to Y36.5bn (\$277.4m) in the first

The company said the increase resulted from an improvement in most of its major operations in Japan, against a background of strong consumer and public spending. Overall sales rose 16.5 per

cent to Y389.3bn.
Glass and construction material sales, which account for 52.6 per cent of the total, rose 16.5 per cent to Y204.7bn.

Sales of float glass were brisk as were sales of thermal glass, sashes and glass fibre

reinforced cement.
Glass bulb operations improved, mainly because of rising demand for large screen television sets.
Sales of chemicals, 36.9 per

cent of total sales, rose 14.8 per cent to Y143.7bn. Urethane, vinyl chloride and soda products were all in strong demand, while sales of

strong demand, while sales of fine chemicals and exports of plants and technology rose. Net income was up 25.3 per cent to Y19.1bn. The interim dividend was unchanged at Y4 per share. Asahi Glass forecasts that its pre-tax profits for the full year will reach Y76bn, up 23 per cent.

Nissan to link up world production

By Ian Rodger in Tokyo and Kevin Done in London NISSAN MOTOR is to become lowed by the setting up of local production facilities.

group to integrate its development and production centres in Japan, Europe and the US with a global satellite-linked com-puter aided design (CAD) net-work in order to speed up vehicle development and production overseas.

The move follows similar steps already taken by General Motors and Ford of the US.

At the same time, Nissan said that its planned European design facility, the Nissan European Technology Centre, would become operational next month, it will be located temporarily at Nissan's assembly plant at Sunderland in north-east England, pending the selection of a permanent site in the UK.

The CAD network and the setting up of the NETC mark an important new stage in Nissan's global strategy, which has concentrated hitherto on the development of a world-wide sales organisation fol-

Big share issue

it just over the 8 per cent capi-tel to asset ratio laid down by the Bank for international Set-

tlements for implementation

Sumitomo Bank yesterday reported consolidated net prof-its up more than 2% times for the year to March to reach

Y141.6bn compared with

Y53.ibn. However, this was not

by 1993.

at Sumitomo

By Our Financial Staff

The company already has 24 assembly or manufacturing companies in 21 countries with its major overseas production bases in the US, Mexico, the

DESES IN the US. MERICO, the UK. Spain and Australia.

Nissan said the development of the CAD network would strengthen its capability for local vehicle development and design to enable it to tailor and the use of the use vehicles to the demands of local markets by accelerating the transmission of data between its centres in the US,

Europe and Japan.
Nissan said yesterday the lead time from the start of a development project to local production could be dramatically reduced" by eliminating the time wasted by mailing

documents between continents.

The transmission time for a typical CAD drawing from Tokyo to the US or the UK would be cut from more than a day to less than 10 minutes.

Overseas engineers would have on-line access to the

At a later stage, branch lines will extend the network to the will extend the network to the company's European engineering office in Brussels, Missan Motor Iberica, its Spanish commercial vehicles operation, as well as to Missan Design International in California, the US car and light truck assembly plant at Smyrna, Temestee, the group's hot weather test track in Arisona and its Mexican production facilities at Charmavaca.

Missan said that the new European design facility in the UK (NETC) would have a workforce of around 200 within two years.

Its main responsibility would be original body and trim design for Nissan vehicles pro-duced in Europe, and it is

supercomputer at the Nissan technical centre in Atsugi. Initially the CAD network will init Absugi with Nissan's European Technology Centre in the UK and Nissan Research and Development in Michigan in the US.

At a loter stress beauth lines in 1992.

The NETC will also provide technical support to increase

parallel steps in the US to reorganise its research and development facilities to allow the local development of future cars and trucks for the US mar-

The research centre in Michigan is to take on the design of unique parts for a new two-door model of the Sentra (sold as the Sunny in Japan and Europe), being planned for the North American market.

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In accordance with the provisions of the Notes, notice is hereby given that, for the six month period 29th July, 1988 to 31st January, 1989, the Notes will bear interest at the rate of 8 Aper cent, per annum. Coupon No. 7 will therefore be payable on 31st January, 1989, at the rate of US\$11,463.54 from Notes of US\$250.000 nominal and US\$458.54 from Notes of US\$10,000 nominal

S. G. Warburg & Co. Ltd.

The Finnish Paper Mills' Association – Finnpap

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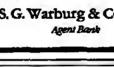
8½ per cent. The amount payable on 31st Octuber, 1988 will be U.S.\$221,94 against Coupon No. 18.

Morgan Guaranty Trust Company of New York

U.S. \$100,000,000 Floating Rate Notes Due 1995

In accordance with the terms and conditions of the Notes, the rate of interest for the interest period July 29, 1988 to January 31, 1989 has been fixed at 834 per annum. Interest payable on January 31, 1989 will be US\$452.08 per Note of US\$10,000.

Agent Morgan Guaranty Trust Company of New York London Branch





CHASE MANHATTAN OVERSEAS

FLOATING RATE NOTES DUE 1993 For the six months

29th July, 1988 to 31st January, 1989 to accordance with the provisions of the Nobes, nobce is hereby given that the rate of interest has been fixed at 8% per cent and that the interest. payable on the relevant interest payment date, 31st January, 1989 against Coupon No. 21 will be U.S.\$45.21.

Wells Fargo

& Company

U.S. \$200,000,000

Floating Rate

Subordinated Notes

due 2000

In accordance with the provisions of the Notes, notice is hereby given that for the Interest period 29th July, 1988 to

31st August, 1988
the Notes will carry an Interest
Rate of 81/4% per annum.

foterest payable on the relevant

interest payment date
31st August, 1968 will amount to
US\$75.62 per US\$10,000 Note
and US\$378.10 per US\$50,000

Agent Bank: Morgan Guaranty Trust Company of New York

Agent Bank: Morgan Gozranty Trest Company of New York, London

Wells Fargo

& Company

U.S. \$150,000,000

Floating Rate

Subordinated Notes

due 1992

to accordance with the

is accordance with the provisions of the Notes, notice is hereby given that for the Interest period 29th July, 1988 to

31st August, 1988 the Notes will carry an Interest Rate of 8-225% per annum.

interest payable on the relevant

interest payment date
31st August, 1988 will amount
to US\$75-40 per US\$10,000
Note.

Agent Bank: Morean Cruarum Trust Company of New York London

CITIBANK

SUMITOMO BANK yesterday became the latest of Japan's large commercial banking in is to sen Aquina Steer, a leading producer of steel reinforcing materials and wire fencing, to Broken Hill Proprietary (BHP), Australia's largest com-CSR, the Australian resources group, yesterday agreed to sell nearly all the remaining interests of its coal division, once among Australia's biggest, to Royal Dutch/Shell and the local Coal and Allied Industries for A\$265m (US\$215m). large commercial banking groups to unveil a large-scale share issue in order to bring its capital adequacy in line with international standards. It is to issue 50m shares by early September to raise some Y160m (\$1.2km). This will take it international standards.

The Callide, Drayton and Lemington coal mines, which have combined annual produc-

CSR, the Australian resources

tion of about 2m tonnes, will go to Shell Australia for A\$230m. The purchase, which includes other exploration deposits, marks an upgrading of Shell's commitment to Australian coal.

The company already part-ners CSR at Drayton, a steam-ing coal mine in the New South Wales Hunter Valley area, and has other coal interests in both NSW and Queen-sland.

However, this was not enough to keep the top spot in the Japanese "city" bank profit league which, on a parent company basis alone, it has traditionally enjoyed. The rival Dai-ichi Kangyo Bank, announcing for the first-time figures to the companies as a compani CSR is to sell its 32.6 per cent interest in Port Waratah Coal Services, which manages one of Australia's largest coal loading terminals at Newcas-tle, to Coal and Allied Indusfor its group of companies as a whole, gave net earnings as Y151.6bm. DKB revenues were Y2,583bn against Y2,579bn at Sumitomo, where the rise on the year was

Royal Dutch/Shell to buy CSR coal interests F.T. By Bruce Jacques in Sydney and Our Financial State it is to sell Aquila Steel, a lead-

pany.

Although no price was disclosed, industry analysts estimated Aquila's worth at A\$60m to A\$70m.

Aquila, acquired as part of CSR's takeover of Pioneer Sugar Mills a year ago, adds downstream activities to BHP's position as the country's dominant steelmaker. if you work in the

nant steelmaker.
In all, CSR has unloaded well over A\$2hn worth of assets in the past two years, representing probably the big-gest corporate metamorphosis

gest corporate metalin Australia's history. in Australia's history.

By far the higgest sale was the company's Delhi Petrolsum division to Esso Australia for about Atiba. In coal, CSR has recently shed the South Blackwater mine in Queensland for some A\$58m and the Collie domestic steaming coal companies.

one of Australia's largest coal loading terminals at Newcastle, to Coal and Allied Industries for A\$36m.

The sales bring CSR's coal asset sell-off to around A\$450m, taking it another big step closer to its goal of concentrating on the sugar and building products industries.

In another significant disposal, CSR said yesterday that

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FINANCIAL TIMES

Mitsubishi Bank of California, its own West Coast operation, with Bank of California, acquired in 1984. Arianespace --- -may go public

By Our Financial Statt ARIANESPACE, the French company which builds, operates and launches Western. Europe's Ariane space rockets, said it will propose floating shares on the French stock exchange next year. Mr Frederic d'Allest, com-

Mitsubishi Bank is to merge

pany chairman, gave no precise details in the annual report but said 1969 would be the time to make the proposal. The flotation decision would be taken after board studies are completed in November.

Mr D'Allest said Arianespace had more than 50 per cent of the world market for commercial satellite launches. Arianespace, set up in 1982 by the 13-hation European Space Agency, had a 1967 operating profit of FF7302.5m (\$49m), up from FF7209.7m in 1986. Turnover dropped slightly to FF7940.52m in 1987 as a result of an 18-month freeze on

launches after a rocket failure in 1986. Launches were resumed last September. Ariane this year launched

four rockets successfully, all carrying commercial payloads.

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FINANCIAL TIMES

FIDELITY FEDERAL

US. \$100,000,000

Collateralized Floating Rate Notes Due 1992

Interest Rate Interest Period 81/2% per annum

29th July 1988

31st October 1988 Interest Amount per

U.S. \$100,000 Note due 31st October 1988

U.S. \$2,219,44

Credit Suisse First Boston Limited Agent Bank

FLORA 2 LIMITED U.S.\$58,800,000

In accordance with the terms and conditions of the Notes, notice is hereby given that for the six months period from July 22, 1988 to January 23, 1989, the Notes will carry an interest rate of 8.75 per cent. The coupon amount so calculated will be US\$4,496.53 per Note of US\$100,000 - nominal.



LTCB THE LONG-TERM CREDIT BANK OF JAPAN. LTD.

Agent Bank

CITICORPO U.S. \$500,000,000

Subordinated Floating Rate Notes

Due October 25, 2005 Notice is hereby given that the Rate of Interest has been fixed at

8.225% and that the interest payable on the relevant Interest Payment Date August 31, 1988 against Coupon No. 34 in respect of US\$10,000 nominal of the Notes will be US\$75.40.

CITIBANKO

July 29, 1988, London By: Cifibank, N.A. (CSSI Dept.), Agent Bank

CITICORP BANKING **Secured Floating Rate Notes Due 1993** CORPORATION (Incorporated in the State of Deloware tionally guaranteed on a subordinated basis by

CITICORPO

US\$400,000,000 GUARANTEED FLOATING RATE SUBORDINATED CAPITAL NOTES DUE OCTOBER 1996

Notice is hereby given that the Rate of Interest has been fixed at 8.5% and that the interest payable on the relevant Interest Payment Date October 31, 1988 against Coupon No. 16 in respect of US\$10,000 naminal of the Notes will be US\$221.94.

luly 29, 1988, London **CITIBAN(** By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITICORP BANKING CORPORATION

U.S.\$50,000,000 Floating Rate Notes dee July 29, 1991 Notice is hereby given that the Rate of Interest for the period July 29, 1988 to October 31, 1988 has been fixed at 8.45% and that the interest payable on the relevant Interest Payment Date, October 31, 1988 against Coupon No. 9 in respect of US\$10,000 nominal of the Notes will be US\$220.64.

July 29, 1988, London By: Citibank, N.A. [CSSI Dept.], Agent Bank

BANCO DI ROMA

US\$150,000,000 Floating Rate Depository Receipts due 1992

Notice is kereby given that the Rate of interest relating to the above issue has been fixed at 8.225 per cent for the period 20th July 1988 to JIst August 1988, interest payable on 31st August 1988 with amount to US\$75.40 per US\$10.000 Deposit and US\$1.884.90 per US\$250.000 Deposit

Agent Bank: Morgan Guaranty Trust Company of New York Landon

National Australia Bank Limited USS100,000,000 Floating Rate Notes due 1997

Notice is hereby given that the Rate of Interest relating to the above issue has been fixed at 8% per cent for the period 29th July, 1988 to 31st January, 1989. Interest payable on 31st Jan-uary, 1989 per US\$10,000 Note will be US\$438.54.

> Agent Bank: Morgan Guaranty Trust Company of New York London

US\$250,000,000 GUARANTEED FLOATING BATE SUBORDINATED CAPITAL NOTES DUE JANUARY 1997 CITICORP BANKING

Notice is hereby given that the Notes will tarry an interest race of 874% per amount for the period 29 July 1988 to 30 January 1988. Coupon Amount per US \$10,000 hote will be US \$456.08

Italian

International

Bank Pic

U.S.\$60,000,000

Floating Rate

Notes due 1991



Dutch Guilders 250,000,000 Floating Rate Notes 1986 due 1996 of accordance with the crime and conditions of the Notes, notice is hereby given that for the interest period from July 23, 1888 to Jenuary 31, 1988 the firm of interest has been fixed at 51/16

Interest has been fixed at 51%; per cent and that the interest persent to the relevent interest Payment Date, January 31, 1989, spainst Coupon No. 6 in respect of Nig50,000 nominal of the Notes will be Nig1,459.27, and in respect of Nig100,000 nominal of the Notes will be Nig2,338.54.

Unconditionally guaranteed on a subordinated basis by CITICORPO

Notice is hereby given that the Rate of Interest has been fixed at 8.5% and that the interest payable on the relevant Interest Payment Date October 31, 1988 against Coupon No. 15 in respect of US\$10,000 traminal of the Notes will be US\$221.94.

CORPORATION (Incorporated in the State of Delaware

July 29, 1988, London By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANG

CITICORPS

U.S. \$350,000,000

Subordinated Floating Rate Notes Due November 27, 2035

Notice is hereby given that the Rate of Interest has been fixed at 8.225% in respect of the Original Notes and 8.3125% in respect of the Enhancement Notes, and that the interest poyable on the relevant Interest Poyable Date August 31, 1988 against Coupon No. 33 In respect of US\$10,000 normal of the Notes will be US\$75.40 in respect of the Original Notes and US\$76.20 in respect of the Enhancement Notes.

July 29, 1988, Landon

July 29, 1988, Landon By: Cifibank, N.A. (CSSI Dept.), Agent Bank

CITIBANCO

111

Vienna

(069) 7598-101

INTL. CAPITAL MARKETS AND COMPANIES

Japanese brokers halt equity warrant deals

THE FOUR major Japanase securities houses have declared a moratorium on the issue of Japanese corporate equity war-rant deals in a bid to restore order and price health to the sector's crowded primary mar-

ket. The move comes after more than two weeks of virtual cri-sis, triggered by a combination of relentless new issues and the advent of many second tier companies to the sector. Grey market prices for practically every new deal, blue chip stocks included, fell to dis-

stocks included, fell to dis-counts far below issua price and trading practices deterio-rated simultaneously.

The Japanese Ministry of Finance has expressed its con-cern about the orderly conduct of the market and the securi-ties houses who lead manage the equity warrant issues have now been obliged to come to a gentleman's agreement to post-pone new deals for the next two weeks.

Under the arrangement, only

companies whose needs are extremely pressing or who are duar to raise funds on the domestic market at the same time sire expected to come to the sector. If they do, they will be effectively penalised by the high compone now current for these deals.

No new issuee were launched today although sev-eral deals from the last few-weeks were fixed with coupons above the level originally indi-

Although the issue morato-rium was generally welcomed. it is not expected to radically alter the complexion of the sector in such a short period. Even if new issues are post-poned, the calendar is fairly rigid and deals will have to be launched eventually although a resilient performance from the Tokyo stock exchange could help the warrant sector

However, this is not the first time a temporary halt to new issues has been called. In the past, the efficacy of these mor-

INTERNATIONAL BONDS

atoria was limited by the apparent readiness of some houses to break ranks at the slightest sign of pressure from Tokyo and market operators were yesterday laying bets as to how long the latest suspen-sion would last.

Elsewhere in the primary markets, three sterling issues emerged. The first was a floating rate note for Birmingham Midshires Building Society via Barings. The first tranche was for £100m with a further £50m available as a tap issue for liquidity. The final maturity is 1998 and issue price is par. For the first five years, the notes wili pay % per cent over the three-month London interbank offered rate. Thereafter, investors will be able to take advantage of an innovative rolling put option at par every six months when the margin may be reset and the society also has a call option. has a call option.
UBS Securities launched a

UBS Securities launched a 150m 12-year subordinated note issue for the Bristol & West building society at 10% per cent and 98%. This is the largest snbordinated issue for a building society and was linked to a complex swap structure. The deel sext smooth structure. The deal saw good demand, largely from UK institutions and was well bid at a discount of 1% against total

Merrill Lynch led another variable rate note issue for the TSB. The £100m issue has a final maturity of 2003 and an average expected life of 13 years. The interest margin above Libor will be set quar-terly and will he 25 hasis points for the first three-month period.

Mitsubishi Finance International brought a \$75m five-year deal at 9½ per cent and 101½ for Interfinance Credit National which is not expected to trade widely.

Late in the day, Credit

Suisse First Boston brought a similarly pre-placed deal for Saga Petroleum, another \$75m five-year issue at 10% per cent and 100%.

In West Germany, Westdeutsche Landesbank brought a DM150m five-year equity warrant deal at 1 per cent and par for Suminoe Textile, backed by Fuji Bank.

Deutsche Bank agrees on swap deal

By Haig Simonian

2

TOTAL

The Title

144

THE World Bank and West Germany's Dentsche Bank have agreed on a new "contin-gent swap facility" allowing the World Bank substantially to diversify its range of swap

partners. Under the scheme, which has taken 18 months to negoti-ate, Deutsche Bank will either compensate or stand in for a counterparty to a currency swap with the World Bank should it default.

highly rated organisations or the large number of high qual-ity European corporations which have never had their deht rated. Under its existing rules, the World Bank can only enter into deals with triple-A

rated counterparties. The venture covers maturities of up to 10 years and a variaty of European currencies. It also allows for a swap to be taken over by Deutsche Bank rather than just compen-

will be able to deal with less sated financially should a counterparty default.

> Dentsche Bank, which is being given an exclusive three-year right to the facility, can decide on a case-by-case basis whether a given World Bank swap can be included under the scheme. However, it has emphasised that the facility would he available for swaps with the World Bank initiated by any other financial

FT INTERNATIONAL BOND SERVICE

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### STRAIGHTS Abber Nint, BS. 10%, 93 C. ### Office day week Vield Abber Nint, BS. 10%, 93 C. ### Office day week Vield 99, 99%, 40%, 40%, 40%, 10,47 ### 100 0-0%, 5.5% ### 100 0-0%, 5.5% ### 100 0-0%, 5.5% ### 100 100%, 100%, 40%, 40%, 10.35 ### 100 94%, 10.35 ### 100 94%, 10.35 ### 100 94%, 10.35 ### 100 94%, 10.35 ### 100 94%, 10.35 ### 100 94%, 10.35 ### 100 100%, 100%, 10%, 10%, 10%, 10% ### 100 100%, 100%, 10%, 10%, 10%, 10% ### 100 100%, 100%, 10%, 10%, 10% ### 100 100%, 100%, 10%, 10%, 10% ### 100 100%, 100%, 10%, 10%, 10% ### 100 100%, 100%, 10%, 10%, 10% ### 100 100%, 100%, 10%, 10%, 10% ### 100 100%, 100%, 10%, 10%, 10% ### 100 100%, 100%, 10%, 10%, 10% ### 100%, 100%, 10%, 10%, 10% ### 100%, 10%, 10%, 10% ### 100%, 10%, 10%, 10% ### 100%, 10%, 10%, 10% ### 100%, 10%, 10%, 10% ### 100%, 10%, 10% ### 100%, 10%, 10% ### 100%, 10%, 10% ### 100%, 10%, 10% ### 100%, 10%, 10% ### 100%, 10%, 10% ### 100%, 10% ### 1		OWEGEN 4/2 /J	20	7/12	7/4	+01/2 1		
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BYRER STRAIGHTS Issued Red Offer day week Yield					C	-		
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Agg. Bk., Ned. 53-92 FL								
Amro Bank 6 4 92 FL		Alg. Bk. Ned. 512 92 FL	150	994	100	0-	04	5.61
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im Industry Inc. 10 93 £				1017	102			
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FLOATING RATE NOTES					• •	
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lent, In Industry 94 E.	7				24/08	
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Midland Bank Ol E	.1				11/08	
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Wootwich Egult 85. 93 £	04	99.	54 (99_59	15/07	5.12
Woolwich 5 95 E		99				7.87
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	_					
CONVERTIBLE BONDS		City			Chy.	_
BONDS						Press
Alena 61- 02 IIC	8/87	62	1034	1043	- +01	26.42

Average price change	Un day	+0.0.	1 OR W	eex +u.	.00	
CONVERTIBLE	Cav.				hg.	
BONDS	date	price	244	Offer	day	Pres
Alcoa 64 02 US	8/87	62	1034	1044	+04	26.4
Alco Health 64 01 US	17/86	24.25	7107	1112		1.7
Amer. Brands 74 02 US	9/87	56.7	100%	1014		24.1
Ashikaga Bank Zia 02 US	4/87	967.	129%	1314		1.3
Asks 5 92 OM	12/83	4727	2024	2034		5.9
CBS, lec. 502 US	14/87	200,	904	914		15 b
Fulltsu 3 99 05	5/84	1106.	278	2795		0.5
Klaki-Sogo Bk.2% 03 US	4/88	1069	1244	126 %	+11	21
Land Sect. 64 02 E	6/87	6.72	951/2	961		15.4
MCA FNC 512 02 US	9/87	19.62	00-5	814	-04	38.6
Minoita Camera 24 94DM	2/86	1004.	. 102	10312		19.1
Missabishi Bk. 14 02 US		3157.	10812	7104	+34	5.0
Mitsel trust 21 01 US	10/86	1903	1225	124	-01/2	-1.0
Next PLC 54 03 C	11/67	4.3	1001	1014	+04	85.2
Nishi Niso Bk 21 03 US	4/88	804.	116	117	+1 4	5.2
Operon Tatels! 23 02 US		1310.			444	4.8
Primerica 5½ 02 US	14/87	66.75	64	65		74 B
Basks Hovis 44 03 E	+1/88	3.5	1314	132 ե	0	-10
Bedland 74: 02 S	1/87	54	84.5	40 £	+04	15.70
Saarchi&Stchi.6- 03 E	110/89	4.41	994	700 2	+04	23.34
Texas lest 24 02 US	19/57	82.87	765	7712	-0 L	53.2
W.R. Grace 64 02 US.,	9/87	42,12	841	03 ¥	Ŏ	40.4
			٠			

Hong Kong to transfer shares by computer

By David Dodwell in Hong Kong

HONG KONG'S anachronistic practice of settling share trades at the close of stock exchange trading every day by tha physical transfer of shares certificates in the hands of hundrades of measurements. hundreds of messengers is to be replaced within 18 months by a computerised central clearing and depository sys-tem, according to Mr Robert Fell, the exchange's chief exec-

"We will have a system that can cope with any level of business, is secure, saves money and labour, is recognised internationally and can link in with other international centres," Mr Fell said yesterday.

He said the new system will cost about HK\$100m (US\$12.8m) and will be run by two companies overseen by a holding company. The clearing bouse is likely to hy owned half by the exchange itself and half by a group of local banks

and brokerages.
Competition to control the clearing system has frustrated years of attempts to sweep aside the current settlement arrangements. Proposals by the Hongkong and Sbangbai Banking Corporation have been blocked by other banks jealoue of the Hongkong Bank's powerful stranglehold of a range of financial services, while proposals last year from Mr Rooald Li, the former stock exchange chairman, were shot down hy stockbrokers con-cerned at bow he might use such an influential position.

The shortcomings of Hong Kong's share settlement sys-tem played a significant part in the controversial decision to close the exchange when stock markets collapsed worldwide in October last year.

In the boom months ahead of the collapse, trading volume had risen on occasions to more tban HK\$4hn - ahout four times the current average of ahout HKSIhn - making it almost impossible to complete settlement overnight.

In a major review of Hong Kong's securities industry pub-lished in June, Mr Ian Hay Davison argued that the local settlement system was weak intensive physical settlement system or the tight 24-hour settlement period, but also because of the size of board lots offered and a local bar on stock borrowing.

He recommended a settle-ment period "short enough to safeguard the interests of local brokers but long enough to sat isfy most overseas investors. He opted for a compromise of

three days.
However, Mr Fell, who was responsible while chief executive of the London Stock Exchange for setting up its Tal-isman computerised clearing system, appears to prefer a five-day period. Mr Fell is likely to be replaced as chief executive of the exchange in October this year, hut will remain in the territory to coordinate the internation of the exchange in the territory to coordinate the internation of the system. dinate the introduction of the clearing system.

Sterling Drug purchase lifts Eastman Kodak

By James Buchan in New York

EASTMAN KODAK, the diversified photographic company, yesterday reported an 8 per cent increase in uet income for the second quarter thanks to strong earnings from its chemical husiness and the inclusion of profits from its new pharmaceuticals company, Sterling Drug.

Kodak, which spent over \$5bn to hny the hig over the counter drugs group in February, said its earnings were \$390m or \$1.20 a share in the latest quarter against \$362m or \$1.06 in the 1887 June quarter. Sales advanced 29 per

quarter. Sales advanced 29 per cent to \$4.13bn.

Mr Colby Chandler, cbair-man of the Rochester, New York company, said: "Our belief that 1988 will be a year of superior financial perfor-mance for Kodak is solidified by these results."

The better earnings were achieved despite a sluggisb performance in Kodak's core business. The company said its imaging segment enjoyed oper-ating profits of \$477m, down \$1m on the 1987 June quarter, on a 6 per cent rise in sales to

In chemicals, orginally a

by-product of the photographic business, Kodak said that operating earnings doubled to \$150m with the help of a 17 per cent increase in sales to \$691m. In Kodak's health business, which the company is building almost from scratch, the inclusion of Sterling Drug tripled operating earnings from \$59m to \$175m. Sales revenues also rose more than three-fold to

At the six-month stage, earn-At the six-month stage, earnings were 20.4 per cent up at \$550m or \$2 a share from \$540m or \$1.59. Sales were up 27 per cent to \$7.45bm. This announcement appears as a matter of record only.



JULY 1988

YAOHAN DEPARTMENTSTORE CO., LTD. U.S. \$100,000,000

4¹/₄ per cent. Guaranteed Bonds Due 1993 unconditionally and irrevocably guaranteed as to payment of principal and interest by

The Tokai Bank, Limited

Warrants

to subscribe for shares of common stock of Yaohan Departmentstore Co., Ltd.

Issue Price 100 per cent.

New Japan Securities Europe Limited

LTCB International Limited

Sumitomo Trust International Limited

Wako International (Europe) Limited

Banque Bruxelles Lambert S.A. Cosmo Securities (Europe) Limited Daiwa Bank (Capital Management) Limited **IBJ** International Limited

KOKUSAI Europe Limited Marusan Europe Limited Mitsubishi Finance International Limited

Nomura International Limited

J. Henry Schroder Wagg & Co. Limited

Bayerische Vereinsbank Aktiengesellschaft Dai-ichi Europe Limited **Daiwa Europe Limited** Kleinwort Benson Limited Maruman Securities (Europe) Limited Merrill Lynch International & Co.

Morgan Stanley International Sanwa International Limited Swiss Volksbank

Tokai International Limited

"The bank's undoubted quality is reflected in one of the highest ratings among European banking stocks".

> European Financial Comentary N'3 (24 th June) Morgan Stanley's European Bauking Research.

CONSOLIDATED FINANCIAL HIGHLIGHTS

	At 30	At 30 th June				
US dollars in millions*	1988	1987	%			
Income before taxes Net income	230.6 167.6	168.2 123.9	37.1 35.3			
Shareholders' equity	1,750.5	1,269.8	37.8			
Market capitalization	6,016.0	4,425.9	35.9			
Customers' deposits	[16,791.1	16.368.6	2.6			
Loans and discounts	11,936.1	10,271.4	16.2			
Average Total Assets	24,705.4	22,931.0	7.7			
Return on assets (%)	1.38	1.08				
• 617.679 shareholders	• 1,617 offic	es in 24 cou	ıntries			

* Conversion rate US \$ 1 = 121.513 Pesetas



Banco Santander

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UK COMPANY NEWS

F&H to dispose of controls business and re-prices cash call at £2.29m

F&H Group, the troubled controls group which was forced to abandon a rights Issue in May, yesterday unveiled a sweeping reorganisation involving the disposal of its main controls business and a re-priced cash call on shareholders, writes Clay

The crisis facing F&H was underlined by results for the year to April 30, also announced yesterday. On turnover of £6.76m, pretax losses soared to £4m, compared with a £799,000 profit in the

previous nine-month period to April 1987.

By the year-end, the group had net liabilities of £1.48m, one reason for yesterday's one-for-one rights issue at 10p to raise £2.29m. The share price is suspended at 62p.

Harland Simon, process control equipment manufacturer, is paying a nominal £1 for F&H's controls business, but it will also assume £1.61m of liabilities.

F&H's balance sheet will also be helped by 3i's agreement to convert £1.5m of loans into equity.

F&H expects to end up with net assets of £2m after the exercise. It will retain three operating subsidiaries, a West German-based small process cootrol business, T.R. Minta, the electrical contractor, and Amvelco, an assembler of electrical compo

nents for the motor industry.

The rights issue will be underwritten by Mr Bob Morton, who will become chief executive as well as chairman. His intention is to end up with 25 to 30 per cent of the shares in the hands of his

The previous £2.6m rights issue, three-for-two at 20p, was abruptly cancelled when management accounts revealed the much worse than expected operating outlook.

DIVIDENDS ANNOUNCED

	Current payment	Data of payment	Corres - ponding dividend	Total for year	Total tast year
Aaronson Brosinl	1.8	Oct 10	1.7		5.45
Abbeyfin	3.8	-	2.67	8	4.33
Astra Holdingsinl	0.52	Oct	Q. 25	0.87	0.25‡
Barclaysint	10t	Oct 12	10.5末	-	23.25*
Broad Street &fin		Sept 7	1.1	1.1	1.1
Dalepak Foodsfin		Oct 1	1.8	2.7	2.7
Derby Trustint	5.06	-	4.75	-	10.85
Ewartfin	1.2	-	1.	1.7	1.42
Forminsterfin	5.6	_	4.95	8.1	7.19
GT Venture tovfin	1	-	-	1	-
Hill & Smithint	1.55	-	1.23*	•	3.98*
CIint	12	_	16	_	41
Jacobs (John I)int		-	1.5	-	4.2
lersey Gen Invfin		-	10.25	17.25	18
Kodeint		Aug 26	5		15.5
Lex Serviceint		Sept 15	4.5	-	11.7
North Scot Invfin		-	0.25	0.25	0.25
Ragiant Propertyfin		•	0.11	0.13	0.11
Romney Trustint		-	1.65	-	4
St Andrew TrustInt		_	1.5	-	4.2
Webb (Joseph)fin		Oct 8	0.47	1	0.0

"Equivalent after allowing for scrip issue. TOn capital increased by rights and/or acquisition issues, \$USM stock, \$\$Unquoted stock, \$Third market, \$Irish currency, \$Equivalent to 9p and 19.9p after adjusting for rights issue. \$For 15 months, \$\$\frac{1}{2}\$For 17 months, \$\$\frac{1}{2}\$Gross throughout.

BOARD MEETINGS

The lollowing companies	netth belifted never a
of board meetings to	ne Stock Exchange.
Such meetings are usual	illy held for the pur-
pose of considering divide	sends. Otheral indica-
tions are not available	
dividends are interims o	
divisions shows below that year's directables.	are pases mainly on

TODAY
Interims- Acsis, AMS Inde. Cardiff Prop, Elec-
tronic Machine, European Assets Tel, Law-
son Mardon, Lloyds Bank, Nestor-BNA, Royal
Tat Yen Bond Fund, Scot fee Flink, Sparati
(CA).
Finals- Banks (Sidney Cl. Finlan, Flexibets,
GibbeMew, Hidong Estate, Kingsgrange,
Merrydown Wines, Park Food, Smeld, Som-
mervile & Son, Stavert Zigomala, Stonatall,

Ī	PUTURE DATES	
	hotorimo-	
	BSR Intl Fini Rea	Aug 1
	Gen Acc Fir Life Ass	Aug 1
	Guardan Royal Exchange	Aug 31
	Inv Tst of Guerneey	AUG S
	Lawson Mardon	Aug 2
	Royal Dutch Petroleum	Aug 1
	Shell Tot & Trading	Aug 1
	Ultramar - management - management	Aug 10
	Victualic	Aug 2
	Fireda-	
	BOC	Aug 10
	CSL	Aug 4
	Compco	Aug 8
	Fairway (Ldn)	Aug 8
	Fife Indmar	Aug 17
	Framington Fer East Fund	Aug 2
	Huntingdon Ing'l	Aug 2
	Payion Int'l	Aug
	Seville Gordon	Aug 1

Strong interim results herald faster profit growth in second half

Barclays moves ahead to £618m

BARCLAYS, the second largest of the big four British clearing banks, yesterday reported pre-tax profits of £618m for the six months to the end of June.

The result was 17 per cent above Barclays profits of £530m a year ago, which were turned into losses of £40m by provisions in respect of bad and doubtful loans to developing countries. This year the bank made no exceptional pro-visions for Third World debt.

Normal provisions for bad and doubtful debts were £132m

(£177m). The results were greeted as a strong performance by bank analysts, holding the prospect of more rapid profit growth in the second half of the year when Barclays should benefit the £921m rights issue of early

Barclays de Zoete Wedd, the group's investment arm, reported profits of £27m, compared to £25m last time. Results in UK and international equities were described as satisfactory despite the low volumes in the markets.

The hank has invested a total of £345m in BZW and no extra injection of capital is planned, apart from profit retentions.

Domestic banking made a profit of £286m (£257m), much of the surplus because of the

Pavion shares

Pavion International, troubled

US cosmetics manufacturer and marketer with a USM

quote, yesterday failed to

report on the year to end February as scheduled, and said the results would not be out till next Friday. The shares were suspended at 8.75p.

At the interim stage in December, profits to August 31 fell from £261,000 to £193,000 on

turnover of £13.44m (£12.62m). Those results were sharply down on the first half of 1986, when Pavion made £1.72m.

EWART: Pre-tax profits £309,779 (£200,752) for year to April 30 1988. Final dividend

1.2p (1p adjusted) for a 1.7p

(1.42p adjusted) total.

suspended

By Clare Pearson

European operations restructured

Barclays yesterday announced a major restructuring of its European operations in preparation for 1992 and the creation of a single European market in financial services, writes David Barchard.

Mr Terry Jones, currently international trade director, will head the bank's corporate services in Europe, while Mr Tim Ward, of Barclays Central Retail Services, will be in charge of retail operations. In addition, there have been

major changes at the top of Barclays' subsidiaries in France and Germany and Mr Jacques Rambosson is to suc-

However Mr Andrew Bux-

ton, managing director, admit-ted that Connect, Barclays

A BETTER-than-expected UK market for cars lifted pre-tax profits of Lex Service, vehicle and electronic components dis-

tributor, by 69 per cent to £35m for the six months to June 30.

Earnings per share advanced by 64 per cent to 25.6p. Mr Trevor Chinn, chairman,

said it was highly likely the

UK car market would reach a record level in 1988. On Lex's

joint venture with US car dealer Campbell – making it the first UK car distributor to

try to enter that market - he said the approval of most US manufacturers had been won.

The interim is 5.4p (4.5p).

Though it would not have seemed likely last October, registrations of cars in the UK

COMMENT

beyond. Fully 70% of our

worldwide sales now comes

from products that do not b

the Heinz brand, a fact th

would have startled management and shar alike just 25 years

By Clare Pearson

rapid growth of corporate and personal lending. Mr John Quinton, group chairman, said that personal lending in the debit card launched 13 months ago, had not done as well as had been hoped, although 1.25m cards had been issued. He said its disappointing per-formance was due to adverse UK was now growing at a rate of more than 40 per cent a year, up from 37 per cent at the time of the rights issue in publicity at the time of the

Mercantile Group, the group's finance house, earned 547m (£35m), with much higher lending volumes. The financial services divi-sion, which includes the Profits of the Central Retail Services Division, which includes Barclaycard, rose to £49m (£43m), largely because of a higher volume of credit card

ceed Mr Pierre de Lalande as

chief executive of Barciays

has good marketing opportuni-ties in Europe at a time when competition in the UK markets

is getting stronger.

It believes that there is a

significant amount of business

to be gained from being identi-

fied as the first British bank

with a major presence in

Its European business will be run from its UK head office in Lumbard Streef, London.

group's insurance, broking, and unit trust activities, made £23m (£31m). The fall was blamed on reduced unit trust

have been 10 per cent higher in the first six months compared with the same period last year - hence Lex's success. Mean-

while, in spite of the competi-tive US market. Lex's

operations are currently improving from a very low base. But next year's perfor-mance will still hinge crucially

GT VENTURE Investment

Company: net asset value at

the end of the period from September 18 1987 to June 30 1988 stood at 102.5p. At September 18 1987 the figure was 96.8p. Gross revenue £411,000. Profit before tax £180 000

before tax £180,000.

on which way the world econ-omy goes (however many ing e fairly charts Mr Chim produces to around 8.

Lex Service in 69% advance

sales and investment management business since the October stock market crash, but

profits on insurance were up.
Barclays' mortgage lending has grown from £4.6hn at the beginning of this year to stand at £6.25hn with a further £10m Bank SA in France.

Barclays already operates in.

11 out of 12 member countries of the EC and believes that it.

of bridging loans.

Mr Quinton said that Bar-clays was now "number one" in several areas of the UK personal banking market includ-ing assets and accounts. It was picking up a larger number of new account holders and its share of the student market had risen from 15 to 28 per

Barclays appears to be holding down its costs, unlike Nat-West where they jumped 25 per cent in the first six months of

Operating expenses were £1.54bn (£1.58bn) and the bank's cost/income ratio was 68.8 per cent, described as very close" to last year's fig-

The return on average total assets was 1.4 (LS) per cent and the equity/assets ratio now stands at 5.6 (4.8) per cent.

Earnings per ordinary share were 43.3p (losses 8.3p) and the bank announced a interim dividend of 10p (9p adjusted after the rights issue).

support the argument that the UK is the best EC country, demographically-speaking, to be seiling cars in, because of the high rate of household formation). A median E80m pre-

tax in 1989 was forecast yester-day, which is likely to be accompanied by a higher tax

charge. This year is easier: about £72m is in prospect, giv-ing a fairly modest p/e ratio of

HOESTMANN GROUP, maker

of test and measurement systems, made turnover of

£21.7m (£20.6m) in year ended

March 31 1988 and pre-tax profit £1.18m (£1.16m). Final, dividend 5.5p, makes a total of

said it showed an underlying strength. Key pharmaceutical

Stronger demand for chemicals takes ICI up to £783m

THE CONTINUING world-wide upsurge in demand for basic chemicals provided the impetus for a 13 per cent rise in Imperial Chemical Industries pre-tax profits in the six months to June 30.

The industry recovery, which analysts believe will continue for at least the next six months, allowed ICI to comfortably ride-out the impact of adverse currency movements as profits reached a record 2789m pre-tax, against 1691m during the previous first half.

The second quarter pre-tax profit exceeded \$400m for the first time to reach \$425m. City forecasts had ranged between £400m and £415m.

The company's exposure to fluctuations in the dollar and to a lesser extent the deutsche mark, and the relative weakness of these enrencies against sterling had their most marked effect on the consumer and speciality products divi-sion where trading profit fell

mated to have cost the com-

pany £75m in pre-tax earnings.
Turnover advanced by 5 percent from £5.57bm to £5.87bm.
Directors said the adverse currency movements reduced the turnover by 9 per cent. Sales volume rose 11 per cent, with one-third of this coming through acquisitions.

in spite of the downturn in the consumer and speciality products division, directors

Share price relative to the FY-A AP-Share index , ise

80 Jul 1987 Jan 88 Jul products registered strong sales volumes as the programme of international prod-

uct launches continued.

Demand remained high for most ICI paint ranges in Europe and North America, while colours and fine chemi-

while colours and fine chemi-cals continued to improve and profits from polyurethanes remained firm.

The industrial products divi-sion made the largest contribu-tion to trading profit, advanc-ing by 190m to 1351m. Strong demand for general chemicals, petrochemicals, and plastics was aided by relatively low was aided by relatively low

feedstock costs.
Farilizar sales were the one point of obvious weakness in point of covious weakness in the company's performance. Under the weight of falling sales the sector returned a loss of £12m (£15m profit), includ-ing a restructioning cost of £5m.

The agriculture division as a whole returned a £44m rise in trading profit to £108m.

The interim dividend of 18p (16p) absorbs 2122m.

Aaronson rises to £3.17m

AARONSON manufacturer of chipboard and plastic bathroom accessories, increased pre-tax profits by 11 per cent from \$2.85m to \$3.17m in the six months to March 31

Turnover (excluding intra-company) moved ahead by 14 per cent from \$54.35m to \$62.2m.

At the end of the period, Aaronson sold its English dis-tribution companies to Prime

Agrenson in a film management buy-out. . An extraordinary charge of £740,000 reflects the costs of discontinued operations.

Of its remaining core operations of timber and plastic products, timber contrib-uted about 70 per cent of taxable profits

The directors have decided to increase the interim divi-

SALES BREAK THE \$5 BILLION BARRIER

For the 24th consecutive year, H.J. Heinz Company surpassed all previous records for financial growth.

Due in large part to the yields of our low cost operator programme, we have invested ample resources in strategies that will expand substantially the scope and size of Heinz enterprise.
The responsibility for our

prosperity and our prospects lies with our management, both senior and subsidiary, who share a driving imperative for change. Depth of management skill remains our greatest resource, as Heinz continues its reliance on the initiative and inventiveness of its people. Fiscal 1988 was a year of

juncture, when established programmes matured and new strategies emerged. We transformed the company as we nurtured our existing

Perhaps the most profound transformation of our company has been a transformation of thought. We have generated new methods to capture new markets and reach new

Heinz has been a acute witness to th in high marition and low consumer prefer calories. We have Singuiering worldwide parade

strained edity to emerging economies on set of the globe by purchasing companies We expect to move in step performance. We expect to move in step of pace of growth, particularly in the ste dasin countries of Japan, the People's Liowering of trade barriers within the European amunity opens the doors to a market of more than 320 million people. This change, combined with recent acquisitions in Spain and Portugal, means that

the Iberian Peninsula has become a dynamic internal

market for our tomato and fish products and a low

cost operator base for export to all of Europe and



Dr. Anthony J.F. O'Reilly-Ch President and Chief E.

Sales \$5,244,230,000 Pre-Tax Profits \$622,573,000 After Tax Profits \$386,014,000

Net earnings up: 14%

Earnings per share up: 17.8%

quadruple in value. The rapid pace of change and expansion during Fiscal 1988 makes even the recent past seem almost static by comparison. Furthermore, it has generated a

H.J. Heinz Company stands as a leader in its industry, rich in resources and progressive in outlook. We have been adventuresome, but not reckless, in extending our reach and expanding our product

upon this productive year with satisfaction and impatience. The past must now serve as prelude to even greater achievement.

Extracts from the statement to shareholders of H.J. Heitz Company by the Chairman, President and Chief Executive, Dr. A.J.F. O'Reilly, for the year to April 27th, 1988.

A question to all finance directors





national categories. This is due

competitive price and profit margin advantages made possible by low cost operator status ar home and abroad. Heinz's gross profits have practically tripled over the past decade. As a percentage of net sales, our gross profit margin this past year stood at 39.5%, an exemplary contrast with the 32.7% recorded in 1978. During this same interval, our

o, or 8.6% of sales

riple the investment a kind ago. Most thalf of our

one brands in their respective

in no small measure, to our significantly increased

expenditures for marketing support coupled with

market capitalization grew

alidated sales comes from consolidated sales comes from products that are the number-

more than eightfold. Within the past five years, investors who held Heinz company stock and

momentum of performance that will carry us vigorously into the future.

With success as our tradition and our goal, we look

about to go on holiday.







12th JULY mett & Fountein

two weeks of July alone.







14th JULY

15th JULY

"Wish you were here?"

While half of Britain is about to go on holiday, it's business as usual in Phillips & Drew's Corporate Finance Division.

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UK COMPANY NEWS

P&O tops cruise market with **\$210m** buv

By Kevin Brown, Transport Correspondent

nand

PENINSULAR AND Oriental Steam Navigation (P&O) yesterday re-established itself as the world's largest cruise ship nperator by buying Sitmar Cruises of the US for \$210m (£121.18m).

Situar operates four ships in the quality sector of the

In the quality sector of the North American cruise market, in which P&O operates five ships through its Princess Cruises subsidiary.

In addition, Sitmar has three high-quality ships on order at prices believed to be substantially below the levels now being quoted by ship-yards.

with the inclusion of the liner SS Canberra, which is operated separately from the Princess fleet, P&O now controls 11 per cent of the world cruise market. P&O's market share should increase to just over 13 per cent by 1991, when the three ships on order will the three ships on order will

be in service.

The deal means that P&O returns to the top of the cruise shipping league, ahead of Royal Caribbean Cruise Line and Carnival Cruises, which overtook it in terms of both ships and berths in the early

Sir Jeffrey Sterling, chairman of P&O, said the group had been studying the fast-growing cruise market for three years: P&O is believed to have had talks with RCCL and Itelland America Line before Holland Amercia Line before agreeing terms with Mr Lester Crown, the main shareholder

Mr Crown will retain an interest in the merged group through the Vissov family trust, which has agreed to take \$10m in P&O deferred Mr de Savary suggested there was scope for joint ventures, although he declined to specify what these might be. "I stock in lieu of cash as part of the consideration for its inter-

ests in Sitmar.

Sir Jeffrey declined to foreeast the impact of the acquisition on P&O's profits from
cruise operations, which were
believed to be around £20m

However, he said the group would have £600m invested in cruise shipping by 1991, and pointed out that RCCL and Carnival are able to achieve a return on capital of between

25 and 30 per cent.
"In one fell swoop, we have taken out an excellent competitor, and acquired some very good ships as well," Sir Jeffrey

Said.

Deplement in the Caribbean cruise market which is contred on Miami, Florida, is growing at around 11 per cent a year, compared to growth in cruise ship capacity of between 7 and 8 per cent.

Marley makes **US** acquisition

By Andrew Taylor, Construction

ectors

nce

Correspondent * Marley, the building materials group, has agreed to acquire Webster Brick, a US brick

The purchase price will be worth \$16m (£9.3m) plus the value of the company's stock which will be agreed when the deal closes. This is expected to be early in August.

Marley has agreed to pay 30m of the purchase price in cash with the balance in loan notes in five equal annual instalments. Webster manufactures facing bricks in Rosnoke and Orange County, Virginia. Marley already carries out brick manufacturing in the US through General Shale Products Corporation.

Buy-out of clothing side nets £93.5m for Coloroll

COLOROLL, the ambitious home furnishings concern, has sold the cloth and clothing companies it acquired in its bid for the John Crowther Group to a management team for

Coloroll announced its inten-tion of selling the cloth and clothing companies, which are not compatible with its home furnishings activities, when it unveiled its £207m bid for Crowther in April.

Mr Eric Kilby, deputy chair-man, said Coloroll had received

"a great deal of interest" in the companies. The management team — led by Mr David Sud-dens, who joined Crowther as head of its clothing division from Courtaulds last autumn - was, however, the only prospective purchaser for all the businesses.

Originally Mr Trevor Barker.

Land Leisure yesterday acquired nearly 10 per cent of TV-am, the commercial break-

fast television station, in a deal

worth £11.75m or 180p a share.

TV-am, said yesterday that the board intended to invite Mr de

Savary, who is deputy chair-man of LandLeisure, to become a director of the TV company

He will bring to us an addi-tional dimension of leisure and

related experience" and help TV-am meet one of its ambi-tions of widening the base of

its activity, Mr Irvine said.

Mr Ian Irvine, chairman of

By Raymond Snoddy and Nikki Tait

MR PETER de Savary's couldn't contribute to the tech-LandLeisure yesterday nical side of the TV station," acquired nearly 10 per cent of he said, "but we will be

had planned to mount a rival buy-out. But he withdrew because of the controversy that clouded the bid for Crowther.

Coloroll, which was advised on the sale by Samuel Montagu, expects to raise an additional £13m from the sale of a Swiss carpet tile business, the McCalls paper pattern company in the US, and property. The disposals should reduce the level of its gearing to between 30 and 40 per cent by the end of its financial year in

The Coloroll share price rose hy 4p to 195p on the announce-ment yesterday.

Most of Crowther's clothing

companies, which include Speedo swimwear and the WW distribution business, were bought in a flurry of acquisi-tions between 1985 and 1986. Together with the original John Crowther cloth mill, they

de Savary buys TV-am stake

looking at ways of combining their liquidity and our experi-

in February last year.

The 6.25m shares bought by Mr de Savary are part of the 24.9 per cent stake in TV-am sold by Mr Kerry Packer to Mr Alan Bond's Bond Media (UK)

The Independent Broadcast-

ing Authority, which has approved the LandLeisure acquisition, decided at that

time that Mr Bond would only have voting rights for 10 per cent of his stake. A final dead-

line of August 20 was set for Mr Bond to take his stake in

made pre-tax profits of £11m on turnover of £185m last year.
Mr Suddens said the restructuring of the businesses, which employ 5,000 people, was still incomplete.

Moreover, the companies had
suffered in recent months "hnt not disastorously" because of the uncertainty cre-

His management team has raised an additional £9.5m, from Charterhouse Development Capital which arranged the buy-out, to provide work-ing capital and investment.

ated by the takeover hid.

Mr Suddens has not decided upon a new name. "I do not suppose the City would cry whoopee" if a company called John Crowther returned to the stock market," he said.

The other major sharehold-ers in TV-am are Aitken Tele-

communications, with 10 per

cent, and Quantum Overseas

ing that TV-am was planning to widen its activities surprised

The IBA has recently warned TV-am that it wants to see improvements to its pro-

LandLeisure was in the lime-light at the start of this week

suspended due to merger talks with West Country brewer, J. A. Devenish. However, the

talks have proved abortive. Yesterday, the shares dropped 13p to 405p.

Yesterday's statement imply-

with about 5 per cent.

industry observers.

Astra Hldgs meets forecasts with £6.04m

PRE-TAX PROFITS of Astra Holdings, pyrotechnic and weapons company, came out in line with forecasts earlier this year when it bought British Manufacture and Research Company from the Swiss com-pany Oerlikon.

In the year to March 31, Astra made profits of 26.04m (£1.01m for the previous 15 mooths). Turnover soared to £48.56m (£11.42m).

Coloroll is retaining a 6 per cent holding, for £1.5m, in the new clothing group.

field Electronics has sold its interest in Weatherfax, weather reporting and weather communications squipment maker, to Sinclair Imaging Systems, a private investor. Consideration is £960,000 of

purchase MPCS for a maximum £3m. The initial price of £1.5m will be met by £200,000 cash and the issue of 548,524 shares. MPCS imports and distributes micrographic consumable products such as silver halide film, duplicating film and a range of associated items. In the year ended Octo-ber 31 1987 it made profits of £95,000 on turnover of £2.63m. Net assets at that date

estate agents offices to Con-

This week's announcement that Royal Ordnance had been awarded a £400m Ministry of Defence deal for explosives and ammunition was "s disappointment" in the context of the BMARC purchase, said Mr Ger-ald James, Astra chairman.

Earnings per share stood at 2.64p 11.54p). The proposed final dividend is 0.52p, giving 0.87p (0.25p) for the year.

towns where Connells are already represented, will be

sold separately. REF GROUP is acquiring

Kerry Handling and Kerry

Systems of East Grinstead for £950,000 cash. Kerry designs

makes and sells specialist han-dling equipment to the bakery

industry.
SCOTTISH METROPOLITAN
SCOTTISH ACCOUNTED a site in

Property has acquired a site in Bunhill Row, in the City, from

Joint Scheme Investment for

£2.5m. Planning permission has been received for development of an office building at a total cost of £6m.

S&W BERISFORD subsidiary,

Erlanger Commercial Corpora-tion has bought 150,000 cumn-

lative preference shares in Bil-lingsgate City Securities and holds 4m (15.5 per cent). LLOYDS CHEMISTS has com-

pleted the takeover of Bannis-

ter & Thatcher in a deal worth

£3.7m, funded by £3.04m in cash and the issue of 582,626

HANSON: The proposed acquisition by BSN S.A. of certain assets of Hanson, namely Impe-

rial Foods International, HP

Foods Holdings, Lea and Per-rins International and some

assets of Brooks Bros (Tailors)

Monopolies Commission.

● COMMENT Astra Holdings bas clearly Astra Holdings bas clearly reached for the stars since it gained its stock market listing. The acquisition of BMARC, which brought it about 800 acres in Lincolnshire, and some state-of-the-art equip-

ment, is proof of its ambition. Never used by its Swiss owner

However, following the 22-for 25 rights issue (which still leaves gearing at about 50 per cent) none of this potential will work through to earnings share in the current year, though pre-tax profits should reach at least £10m. Shareholders must be hoping Mr James as a profit centre, it made a will stop buying and concentrations of £2.57m last year, but its

COMPANY NEWS IN BRIEF

BBA GROUP subsidiary, Automotive Products, has granted an option, exercisable between May and December 1989, to Superdrive Motoring Centres, a subsidiary of Shell UK, for the purchase of AP's Auto Safety Centres Insiness. Superdrive has paid £2.5m in cash plus the right to use the ASC trade name for a trial period. If the option is exercised the sale price will be

around £12m. DE LA RUE subsidiary Croswhich £700,000 has been received in cash.

MICROGEN HOLDINGS is to

amounted to £112,000.
PERRY GROUP, diversified

UK STOCK MARKET REPORT 0898 123001 nells for £1.67m cash; their value was £290,000. Perry's other three offices, located in

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Evered expands its US quarry products side By Nikki Talt "

EVERED HOLDINGS, the industrial and building prod-ucts company beaded by the Abdullah brothers, is expanding further Its American quarry products interests.

Evered is paying \$39.5m (£22.8m) for Fidler Inc., an Indiana-based company where operations range from sand and gravel and ready-mix concrete to concrete blocks and builders merchanting. The US company was

founded in 1946 and takes in 13 ready-mix concrete plants and two block manufacturing plants. In the year to end 1987, Fidler made pre-tax profits of \$6.9m on sales of \$40.4m. The beak value of its exects was book value of its assets was \$16.1m, but Evered directors say that they believe a revalua-

tion will produce a surplus over this figure.

Evered initially moved into the quarry business through its £100m bid for London and Northern last year, and then in March expanded on the UK front by swopping certain bousebuilding interests for the quarrying operations of Raine

After the intest deal, Evered ill have a heavier weighting, in terms of quarry interests, in the States and said yesterday that it is looking to redress the balance. It recently acquired a stake in Breedon, the lime stone quarry operator, but suggests that its current attention is centred on a couple of smaller situations.

Charterhall stake raised

By David Cohen

CHARTERHALL, the investment company steered by Australian entrepreneur Mr Russell Goward, has increased its stake in A.Goldberg & Sons, Glasgow-based fashion retailer, to over 20 per cent signalling possible hostile bid intentions. A Charterhall-spokesman said yesterday that the move through 20 per cent was signifi-

cant because it brought into play an earlier undertaking by Goldberg's management to wel-come a Charterhall seat on the

This claim was flatly denied

great is issued in compliance with the requirements of the Council of The International loss not constitute an invitation to any person to subscribe for or to purchase shares. Appl to the Council of The International Stock Exchange for the whole of the Ordinary stare on the issued and to be issued, to be admitted to the Official List. Dealings are expected to com-

by Goldberg's group finance director, Mr Ian Steven. There seems to be a great difference between their aspirations and our intentions. Both a bid and designs for a place on the board would be resisted," he

Charterhall has over the last 12 months built up a stake in Goldberg. Earlier this week, it lifted its holding from 17 to 18.2 per cent, to become Goldberg's largest shareholder, and today bolds 2.5 per cent more than the combined Goldberg family.

A SOUND BASE FOR AN ENCOURAGING FUTURE.

Mr. John Quinton, Chairman Barclays PLC, commenting on the results for the first half of the year 1988, said:

The performance of the Group in the first six months of 1988 has been good and I believe that Barclays is laying a sound path for success in the future. Shareholders can share my confidence that the outlook is encouraging.

Group profit at £618 million for the first half of 1988 has improved by 17% over the first half of 1987 before the exceptional provisions we then made. This improvement is attributable to strong growth in business, particularly in the UK, and sound performance in almost all sectors of the Group.

	Half-year ended		Year ended
	30.6.88	30.6.87	31.12.87
	£,m	£m	£m
Operating profit before exceptional provisions	567	497	984
Share of profit of associated companies	51	33	68
Profit before exceptional provisions	618	530	1,052
Exceptional provisions in respect of countries			_
experiencing liquidity problems		570	713
Profit/(loss) before taxation	618	(40)	339
Taxation	223	28	148
Profit/(loss) after taxation	395	(68)	191
Attributable to minority interests	2	4	6
Attributable to members of Barclays PLC	393	(72)	185
Dividends	111	77	171
	282	(149)	14
*Earnings per Ordinary share	43.3p	(8.8 _p)	22.1p
*Dividends per Ordinary share:			
First interim (payable 12 October 1988)	10. 0 p	9.0p	9.0p
Second interim	-	_	10.9p
Net asset value per Ordinary share	480p	440p	480p
*1987 comparatives have been restated to take account of the This information does not comprise full accounts within the Pull accounts for the year ended 31st December 1987 contine Registrary of Companies in accordance with Section 241	e meaning of Section	o 254 of the Com ed audit report w	

We plan to build Barclays into one of the strongest international banks, able to compete profitably and serve our customers effectively across the world. To this end, we have taken steps to boost our capital, to improve the quality of our assets and to enhance our product range.

This strategy is beginning to pay off and we are confident that it will enable us to continue the growth in profits and the improvement in earnings per share which is evident this half-year.





FURTHER DETAILS OF BARCLAYS RESULTS FOR THE FIRST HALF OF 1988 MAY BE OBTAINED FROM: THE SECRETARY, 94 LOMBARD STREET, LONDON ECSP SAH. The contents of this adserticement have been approved for the purposes of Section 57 of the Financial Services Act 1986 by Bareleys Bank PLC, an "authorised person" under the Act.
It sheald be noted that part performance is not necessarily an indication of future performance

DUKEMINSTER PIC Placing by BARCLAYS de ZOETE WEDD LIMITED of 20,000,000 Ordinary shares of 10p each at 75p per share Share capital following the Placing Issued and to be issued fully paid £'000 Ordinary shares of 10p each. 7,175 Cumulative Convertible Redeemable Preference shares of 10p each 2,778 2.800 9,953 12,600 ry shares placed, 25 per cent, have be ng to the Company are available in the statistical services of Entel Financial Limits during normal office hours up to and including 12th August, 1966 at the registers on House, 118/119 Piccadilly, London WIV 97) and from:

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engaged in steel stockholding, drop forgings and fabricated products, lifted its first half profit to the end of March 1988 from £1.32m to £2.39m, and is raising the interim dividend form 1.52m to £550. from £1.32m to £2.39m, and is raising the interim dividend from 1.227p to 1.55p. The mild winter led to con-

UK COMPANY NEWS

Millicom says Racal float Dalepak maintains may cost holders £560m

SHAREHOLDERS IN Racal count" that will occur if there stand to lose £550m if they is only a partial demerger.

The first discount, it mainscheme for floating off 20 per cent of the telecommunications subsidiary, according to Milli-com, one of Racal's largest

In a circular sent to shareholders yesterday, Millicom has for the first time produced figures to back up its conten-tion that shareholders would be better off backing its rival scheme for a complete demer-ger of the UK electronics company and Racal Telecommuni-

investment and trading com-pany controlled by the Shohet family, yesterday came to the market to raise a total of £38.4m via a share placing of 27.9 per cent of its equity and a convertible preference issue.

Barclays de Zoete Wedd, which arranged the placing of 20m ordinary shares at a price of 75p each, showing a 14.9 per cent discount to their net asset value, said that there was

excess demand for the shares. Trading starts next Thursday.

The ease of the placing pro-

vides further evidence of the

market's sentiment in favour of property companies special-ising in the accumulation of

assets rather than the growth

and gives the company a mar-ket capitalisation of £53.8m. A

further £24.9m is coming from

the convertible preference

Hill & Smith advances

of development profits. The share placing raises a net £13.5m for Dukeminster

Dukeminster comes to

By Paul Cheeseright, Property Correspondent

market valued at £53.8m

tains, will occur because RTG will be a controlled company. As a result, it will be bid-proof and less likely to be run for the benefit of shareholders, so lim-

The second discount, Millicom says, will occur because the full market value of the RTG will not be reflected in Racal's share price. Millicom argues that the

tring its stock market value.

first discount will amount to 10 per cent and the second to 15 cations Group.

Millicom's argument rests on what it calls the "double diswill be worth 12.04hn under

shares issue, to which Ameri-can Express has subscribed

519.9m and the Shohet family

top of a recent injection of £5m into Dukeminster's equity by

the Shohet family.

Dukeminster, which has absorbed the interests of NH

Finance, another Shohet

vehicle, has a property portfo-lio worth £141.2m. The major-

ity of the properties are in London and the south-east. Of the total, £38.3m-worth are trading

Dukeminster has a rent roll

of £8.28m a year, expected to rise to £11m over the next

three years. About 40 per cent of the portfolio is in retail property, 40 per cent in offices

and 15 per cent in industrial

In 1987, Dukeminster had

pre-tax profits of \$2.57m and in the five months to May 1938, pre-tax profits were £1.67m.

the management's scheme instead of £2.6bn under its pro-

Racal said it disagreed with Millicom's arguments, but it would not be answering them in detail until next week.

There seems, however, to be some movement in Millicom's favour. Mr Chris Tucker, an analyst at Kleinwort Grieveson, said Millicom's proposals were better than the manage-

The management has put together a structure that whacked twice," Mr Shelby Bryan, Millicom's chairman, said. means we shareholders get

Ketson makes agreed bid for Moorgate Grp

By Vanessa Houlder

nerson, communications group formed last year from the Gianfield Lawrence property and motor dealer, yesterday announced an agreed bid for Moorgate Group, USM-quoted financial marketing company.

And Moorgate announced that as a result of Crash-in-duced losses in the US its pretax profits for 1987 fell from £826,284 to £416,848. Turnover increased to \$23.6m (211.2m). Earnings per share fell from 7.3p to 2.5p. The dividend has been passed

after paying 1.825p for 1986. The offer of five shares for four Moorgate values Moorfour Moorgate values Moorgate at about £7.7m, after Ketson's share price rose 3p to 85p yesterday. The combined group would have a market capitalisation of about £17m. About £2 per cent of Moorgate shareholders have undertaken to accept the offer.

Mr Jeremy Bond, chairman of Moorgate, said the merger would cut Moorgate, said the merger would cut Moorgate's exposure

or moorgate, sant the merger would cut Moorgate's exposure to a single market sector. The US operation made an operating loss of £521,000, fol-lowing the Crash and in addi-tion was responsible for interest charges of £133,000. The group is now withdrawing from the US, resulting in an extraordinary debit of £568,000.

By contrast the UK business increased its operating profits by 11 per cent to £1,14m.

market share as profits fall to £1.1m

DALEPAK FOODS yesterday unvailed a 25 per cent fall in full-year profits to filliam. The Yorkshire-based company is the biggest supplier to the British grillsteak market.

Dalepak, which reported a 42 per cent profits downturn at the interim stage, said the year had been difficult—for the industry although it retained.

industry, although it retained its 30 per cent hrand share.
On the one hand, the grillsteak market stabilised at a retail value of \$78m, after the past tan years' growth. On the other, it suffered from a 30 per cent increase in manufactured

beef prices in the first half. Dalepak's position was exas-perated by production over-heads geared to higher sales. heads geared to higher sales.
The November price increase
and some cost-cutting helped
in the second half, but sales
were still lower than expected.

Turnover in the 12 months to end-April was £18.8m (£18.2m). Aside from the grillsteak operations, difficulties faced by the Budget Gourmet and Farm-house frozen ready-meal ranges have led Dalepak to limit this business to products which can be produced in the grillsteak factory. The ready-mesis factory will be used for chilled food production

Earnings per share dropped from 8.67p to 6.6p. The unchanged final dividand of

DALEPAK FOODS yesterday 1.8p makes 2.7p for the year

Mr Chris Ivory - the ex North-ern Foods man who slipped into the chief executive's chair at Dalepak in November clearly has no illusions about the problems of a one product company. But seeing where Dalepak should go, and getting Delepak should go, and getting it there speedily, are different things. New products like vegetarian grillsteaks have apparently been well received, and the switch to chilled ready meals seems sensible. However, the fact remains that at ever, the fact remains that at least four-fifths of total group sales in the current year will probably come from the com-pany's traditional mest-based pany's traditional mest-based product. Mest prices remain firm, and Dalepak's 5 per cent price rise last year has met with underentting by rivals and consequent volume loss. Further acquisitions, following frozen pie husiness Fawetts, could help — except that the potential scale of purchases is somewhat limited by a 40 per cent gearing level at the yearend, and the rejuctance of directors to dilute their controlling interest. With brokers trolling interest. With brokers edging forecasts down to 11.35m yesterday, the shares (down 6p to close at 81p) are on a prospective multiple of just over 10. That looks justifiably

Boots chief under fire

pharmaceutical group, faced tough questioning from share-holders at yesterday's annual meeting. He was asked why his salary had risen by 19 per cent last year when earnings per: share were only 4.6 per cent

Mr Gunn said that all Boots' senior executives' salaries had been reviewed to bring them in line with earnings in the industry. Directors' salaries are set by a remuneration committee, largely made up of non-executives. Mr Gunn told shareholders

that group sales were up by 4.5 close its stores in West per cent in the first quarter of the current year, which began by the end of August.

MR ROBERT GUNN, chairman on April I. He said that of Boots, the retail chemist and although the sales increase pharmaceutical group, faced was modest, profitability had tough questioning from share-

218p yesterday. The retail division had seen a first quarter sales rise of 5.4 per cent, adding to evidence that some retailers have suffered a poor summer. The period compared with a strong first quarter the previous year. Boots is also feeling the effect of poor sales of durable goods, and the withdrawal of some lines such as pet foods which had been unprofitable. The group has nearly fin-ished negotiations to sell or close its stores in Western Canada, with completion expected

tar

NEWS DIGEST

SUNDERLAND NEWS

Profit rise of 22% in first quarter

turnover showing a 16 per cent increase, from £14.92m to £17.31m

JOHN I JACOBS

first half

of 1988, and led to a drop in pre-tax profit from £846,000 to £389,000.

profit to £568,000 (£227,000). Other income dropped to £328,000 (£1.18m).

Continental Assets Trust

105.5p against 136.4p. Net revenue for the six months to June 30 was £52,000 (£59,000) for earnings per 75p share of 0.43p (0.49p).

RAGLAN PROPERTY

21% to £9.2m

Ragian Property Trust. property development concern, raised pre-tax profits by 28 per cent from £678,665 to £871,889 for the year ended March 31 1988. Turnover grew 21 per

(£361,000) earnings per 1p share climbed from 0.28p to 0.43p.

while the dividend is increased JOSEPH WEBB to 0.132p (0.11p).

Profit doubled at £1.02m confident that the successful outcome of these development

Joseph Webb, the West Midlands group with interests leisure, and property, reported pre-tax profits doubled from \$526,000 to £1.02m in the year to March 31. This result was scored on turnover which slipped from £6.8m to £6.38m and of this, £6.04m related to holidays and leisure.

Société Nationale des Chemins de Fer Français

.\$75,000,000 Guaranteed Floating Rate Notes 1993 (redeemable at the holder's option in 1990) unconditionally guaranteed, .
ss to payment of principal and interest, by

The Republic of France

In accordance with the provisions of the Notes, notice is hereby given that, for the three month period 27th July, 1988 to 27th October, 1988, the Notes will bear interest at the rate of 11% per cent, per annum. Coupon No. 20 will therefore be payable at the rate of £140.61 per

S.G. Warburg & Co. Ltd.

CITICORP

(Isomporated in Delaware)
Subordinated Floating Rate Notes Due Januery 30, 1998 Notice is hereby given that the Rate of Interest has been fixed at 8.2% and that the interest poyable on the relevant interest Payment Date August 31, 1988 against Coupon No. 31 in respect of US\$10,000 nominal of the Notes will be US\$75.17.

July 29, 1988, London By: Gilbonk, N.A. (CSSI Dept.), Agent Bonk CITIBANCO

NOTICE OF PARTIAL REDEMPTION ALLCO INTERNATIONAL LIMITED

coupon from 27th October, 1988.

ALLCO INTERNATIONAL LIMITED
Guaranteed Finanting Rine Neese 1886
Unconditionally and Intracembly
guaranteed by
THE LONG TERM CREDIT BANK OF
JAPAN, LIMITED
NOTICE IS HEREBY GIVEN that, pursuent
to Condition 4(8) of the Notes Allco
International Limited has elected to
redeem on August 5, 1882 at 100%
USES 200,000 of the outstanding Notes.
The Notes graven for redemption are
numbered as follows:

47 70 98 143 170 180 242 247 270 347 370 580 442 447 466 542 547 570 642 647 570 681 742 270 708 1143 1770 1186 1242 1247

198 1242 1247
Payment will be made upon surrender of the Notes together with all coupons maturing after the dese fitsel for redemption at the offices of the Paving Agents as efform on the Notes. Coupons meturing on August 5, 798e should be detached and presented for payment in the usual mether. On and after August 5, 1988 interest on the Notes will cesse to accrue and crimmanused coupons will become void.

After August 5, 1988 (1985),000,000,00 of the Notes will remain outstanding.

July 23, 1988

No. 1 PLC £200,000,000 Mortgage Backed Floating Rate Notes due 2016 Notice is hereby given that the Rate of Interest has been

MAES Funding

fixed at 11-10625% for the interest period 25th July, 1988 to 5th October, 1988. The interest amount payable on 5th October, 1988 will be (2,184-84 in respect of each £100,000 denomination.

Carried States

Agent Bank 25th July, 1988



The name may have changed but the people remain the same.









THE TEAM

Left Picture: S. Myers, P. Collins, S. Mahew-Sanders, S. Crooks, K. Thompson. Right Picture: R. Meaney, I. Throssell, R. Bole, S. Pearce, S. Langman. We're back! We're keen!

and we 'll be open for business on 1st August Market Makers in all USM and 3rd Market Stocks, selected smaller companies and 535(2)Stocks. See us on SEAQ. (WINS) phone us on STX-75414/7 (20 lines) or TEL: 01-621 0004, all dealers on TEL: 01-621 9043



All enquiries: to Brian Winterflood (front office) or David Codd (back office) Knollys House 47 Mark Lane London EC3R 7QH A subsidiary of The Union Discount Company of London, p.l.c.

PORTSMOUTH &

Turnover rose from £17m to

IN ITS first quarter ended July 2 1988 Portsmouth and Sunderland Newspapers lifted pre-tax profit by 22 per cent, from £1.47m to £1.8m. That was generated from

Earnings were 8.9p (7.6p)

and there was an extraordinary credit of £87,000.

Downturn in

A substantial reduction in other operating income hit John L Jacobs in the first half

However, the interim dividend is held at 1.5p, from earnings of 1.21p (2.39p).

Turnover of this shipbroking and shipowning group moved up to £1.57m (£1.22m) and gross

CONTINENT. ASSETS Net assets show recovery

reported net asset value of 106.6p basic at the end of June 1988 compared with 84.5p at the beginning of the year and 143.5p a year earlier. The fully-diluted figures were

Turnover lifted

cent to £9.22m. After tax of £361,738

projects would enable them to look forward to the currentyear's results. Net asset value per share' was 10.3p (8.1p).

TOMORROWS LEIS. Investment

The directors said the

company had a rapidly growing programme in the

order of £100m and they were

affects results Tomorrows Leisure, which joined the Third Market in November last year, saw pre-tax profits rise £25,000 to £281,500 in the year to the end of March 1988. Turnover rose

more than 1% times from £2.83m to £4.6m.
The directors said that the decision to advance its planned investment programme had an effect on the results. After tax of £12,780 (£8,054)

earnings per 20p share came out at 2.3p (2.2p). The company had made a promising start to the present year, the directors said, and profit plans indicated that there should be another successful year.

CONROY PETROLEUM

Losses reduced to I£73,000 Losses before tax were reduced

at Ireland-based Conroy Petroleum in the six months to February 29, falling from I£119,000 to I£73,000 (£61,550). Moreover there were no extraordinaries (debit £344,000). Operating revenues were up £10,000 to £21,000.

The chairman said the company continued to make progress and could look forward to the future with confidence.

FORMINSTER Proposed final dividend of 5.6p

Forminster, maker of outerwear clothing, reported record pre-tax profits of £1.99m for the year to April 30 against £1.83m. Turnover was up from £18.58m to £20.35m.

Earnings per 10p share were 34.87p (31.41p) and the total dividend is being raised to 8.1p (7.19p) by a proposed final

UK COMPANY NEWS

Telfos raises value of bid for Runciman to £31.6m

TELPOS HOLDINGS, the diversified engineering company, yesterday raised to £31.6m the value of its hostile takeover bid for Walter Runciman, the shipping, security and insurance group. The new terms an advance from £27.4m, are final unless a competing offer emerges.

Runciman is due to fire its final defensive salvo today, including a profit forecast for the current year and a divi-dend forecast for 1989. Last week, Runciman said it would pay at least 9.5p for this year, a 46 per cent rise over 1987.

Yesterday, Mr Garry Runciman, chairman, said Telfos's "marginal revision" still left the offer far short of an ade-quate recognition of his comWalter Runciman 120

pany's true value. Runciman shares slipped 8p to 345p, below the 360p value of Telfos's paper offer, but still

1982 84 86

above the increased cash alternative of 328p. Telfos closed 1p down at 172p.
For every four Runciman

For every four Runciman shares, Telfos is now offering a unit consisting of six ordinary shares, three £1 cumulative preference shares paying 9 per cent net, and one warrant. The revised terms drop a small cash element from the previous package and add the warrant and additional preference shares.

By Wednesday, Telfos had received acceptances for 0.56 per cent of Runciman's shares to add to the 24.58 per cent it owned before launching the bid. Mr Runciman yesterday said that this "insignificant acceptance level" demon-strated the inadequacy of the

Broad Street profits decline

By Andrew Hill

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of france

BROAD STREET Group, public relations and communications undertaking, announced pre-tax profits of 2556,000 for the 17-month period to March 31

Despite the longer reporting period, profits were 43 per cent down on the £990,000 made in the year to October 31 1986. However, the figures included provisions of £335,000 for bad debts and redundancy costs, taken above the line, offset by a £95,000 exceptional gain on

investments.

Mr James Gulliver, who took over as chairman last December after buying a 10 per cent stake, said the directors' confi-dence in present trading was underlined by their recommendation of an unchanged 1.1p

dividend for the year.

The group, which is quoted on the USM, also announced the purchase of Lynne Franks. the consumer PR company, for an initial £2.64m to be funded by a vendor placing of 6.4m ordinary shares. A further 429,194 shares will be issued to raise £175,000 covering

Shares will be offered to existing holders on a one-for-five basis at the placing price of 41p each, against yesterday's unchanged closing price of 45p. In the last five months of the 17 month period the group returned to profit; with £358,000, against losses of £83,000 in the preceding six

Earnings per share fell 52 per cent to 1.16p for the period

O COMMENT

As yet, it is difficult to judge the effects on Broad Street of "Gulliverisation", as the com-pany calls it. Compared with previous years

apparently rising and the investors.

group says rigorous financial controls have been installed, particularly in the Broad Street Associates PR business, root of most of the problems. In addition, the group has tem-porarily pulled back from try-ing to grow its consumer PR and advertising operation organically; instead – as the Lynne Franks purchase demonstrates — Broad Street is looking at the acquisition of companies which have already established credibility in those areas. Nevertheless, until it proves otherwise the compa-ny's good name for PR is likely to be more than offset by its lingering reputation for loose management, even with Mr Gulliver at the helm. In the current year, forecast pre-tax profits of £1.9m put the shares on a prospective multiple of about 14, useful for funding convictions with month by month fee income is still something of a gamble for

Pearl pension business growth

PEARL ASSURANCE sales more than doubled over Company sold more than five the period from £860,000 to times the amount of pension £2.18m. business to the self—employed

in the first six months of files. These buoyant pension sales year than in the corresponding enabled the company to record period of last year - £15.38m an 83 per cent increase in new of new annual premiums business in against £2.05m. the Ordinary branch in the Single premium pension first half of this year, from £79.4m to £31.02m.

£13.43m to £24.52m. However, dull conditions in the life market in the after-math of the stock market crash

COMPANY NEWS IN BRIEF

BOSCOMBE PROPERTY: Pre-tax profits for year to March 31 1988 were £108,887 (£124,387). Gross rental income £529,767 (£496,659). Earnings

per share 82.5p (76.29p). No dividend (same).

DERBY TRUST: At June 30, December 31, 1987) per capital share and 285p (254p) assuming full subscription of warrants. Not available income £597,520 (£561,254) for first half of 1988 and earnings per income share5.0594p (4.7524p). Interim

dividend 5.0594p (4.7524p). GOVETT FAR EAST Investments: net profit attributable to shareholders stood at \$122,746 (£71,781) at the end of the six months to June 30. Gross revenue amounted to \$302,651 and profit was \$121,609

before tax of \$1,137. The com-pany gained a stock market quote in April 1987. ROMNEY TRUST: net asset value was 426.6p at the end of the six months to June 30, compared with 350.6p at December 31 1987 and 487.7p at

the end of the six months to June 30 1987. Gross revenue in latest period was £1.44m (£1.27m). After tax of £352,000 (£268,000) earnings came out at 2.48p (1.84p). The interim dividend is 2p (1.65p) and a final of 3p is forecast.

ST ANDREW TRUST reported

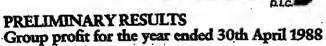
net asset value of 223.6p at June 30 1988 against 246.5p a year earlier. Earnings per share were 2.4p (1.96p) for the six months to the end of June and the interim dividend is being raised to 1.8p (1.5p).



ABBEY PROPERTIES LTD Commercial Property

My high line (sees

M&JFNGINEERS LTD



	1988 IR £'000	1987 IR £000
TURNOVER	101,118	67,564
PROFIT BEFORE TAX	17,187	9,969
TAX	5,809	3,122
PROFIT AFTER TAX	11,378	6,847
DIVIDENDS	2,324	1,526
RETAINED PROFIT FOR THE YEAR	9,054	3,821
EPS (ADJUSTED)	30.77p	19.44p
GEARING	35%	84%

- Another Record Year in Housing and Plant
- Group Profits up 72% to IR£17.2 million.
- Investment in Land, Plant and New Depots
- Progressive return to Commercial Property Development.
- Further substantial growth planned for current

Abbey House, 2 Southgate Road, Potters Bar, Herts.

TERM RESTALS LTD Instant Building Rental &

The contents of this Statement, for milital the directors of Abbey ple are st have been approved for the purposes of Section 57 of the Financial Service Ernst O'W burney at an authorised person. Past performance is not access on of future performance.

United **Biscuits** sells Spice **Islands**

By Christopher Parkes, Consumer Industries Editor

UNITED BISCUITS has agreed

UNITED BISCUITS has agreed to sell its US subsidiary, Spice Islands, to Fleischmann Yeast, part of the Anstralian food group, Burns Philp.

The price was not disclosed, but UB said it compared favourably with the \$56m offered in January by McCormick, the leading US spices company.

company.

That sale was called off two months ago after the Federal Trade Commission ruled that it could reduce competition in the spices trade. McCormick has about a 40 per cent share. Fleischmann deals in yeast, dates and pimentos in the US and Canadian consumer mar-

The agreement in principle to sell to Fleischmann is expected to be finalised within a few weeks, when the statu-tory pre-merger waiting period expires and final details have been worked out.

The disposal completes the liquidation of Speciality Brands, a groceries subsidiary which UB decided to sell because of disappointing results. Earlier disposals of olives and salad dressings subsidiaries to Campbell Foods raised \$155m.

Reorganisation costs hit Kode **Intl profits**

Problems with a supplier and shortages of a main component were blamed by Kode International, computer equip-ment group, for a 10 per cent fall in turnover from £16.57m to £14.9m in the 24 weeks to June 17.

In addition the pre-tax figure was hit by costs of reor-ganisation in the information ganisation in the information technology division of £217,000 leaving profits at £791,000, against £L3m, a fall of 39 per cent. However Mr Alan Brooker, chairman, said that margins had been substantially main-tained and there was a leaven

tained and there was a large backlog of orders at the end of the period. He added that the equipment supply problems appeared to have ended but dynamic random access membry chips were still scarce.

Earnings worked through at 8.9p (14.5p) and the interim dividend is being maintained

Good second half boosts Abbey result

Abbey, the Dublin-registered bousebuilder and plant hire company operating through-out southern England, accelerated in the second half and finished the year with a 72 per cent advance in pre-tax prof-

In the period ended April 30 1988, turnover rose 50 per cent from 1£67.56m to 1£101m (£85m), and taxable profit came to £17.2m (£9.97m) after almost unchanged interest

charges of £2.79m.

Last October the company raised £11.62m through a placing. Gearing has been cut sub-stantially from 84 to 35 per cent andassets per share rose

to 124p (72p). Earnings for the period rose to 30.77p (19.44p) and the final dividend is 3.8p, for a total of

6p (4.33p). The directors said house building and plant hire again produced record figures, and Abbey had re-entered the commercial property development market in a planned manner, which would not dilute the principal thrusts in the other two areas.

Gallaher surges 43% to near £117m

Strong improvements from both tobacco and non-tobacco operations enabled Gallaher, an American Brands subsid lary, to lift pre-tax profits by 43 per cent from £81.4m to £116.7m in the first half of 1988. Sales were 6 per cent higher at almost £2bn, against

Trading profits from tobacco rose 30 per cent to £92.9m (£71.3m), while non-tobacco profits grew 48 per cent to £25.5m (£17.2m). Improve-ments were achieved by the optics, distribution and office products divisions, but there was a slight downturn on the

housewares side.

The sale of the engineering division has almost been completed. These disposals resulted in extraordinary cred-its this time of £6.4m.

Mr S.G. Cameron, the chairman, said the UK clgarette market had remained virtually static in the period, but Gal-laher Tobacco had achieved a substantial share growth and increased volume.

1988 First Half Year Results

Record first half from ICI.

Group profit before tax reached a new high of £783m in the first half of 1988, £92m | (3%) above the first half of 1987. The advance resulted from strong growth in sales volume, firm margins and a good performance from former Stauffer agrochemical products. In the second quarter of 1988 profit exceeded £400m for the first time. The key figures with comparisons for the first half of 1987 are as follows:

2nd Q	uarter 1988 £m	First Half 1988 £m	First Half 1987 £m
Turnover	2,930	5,867	5,569
Profit on ordinary activities before taxation	425	783	691
Earnings before extraordinary items per £1 Ordinary Share	37.8p	69.3p	59.2 _F
Interim dividend per £1 Ordinary Share	_	18.0p	16.0 ₁

The results are set out in the second table following.

In the first half of 1988 turnover increased by 5% compared with the same period in 1987. Sales volume rose by 11% with one third of this attributable to acquisitions; selling prices in local currencies advanced by an average of 3%. These increases were partly offset by an adverse movement on exchange which reduced Group turnover by 9%.

The underlying business performance in Consumer and Speciality Products remained strong, with further growth in each sector. Overall profits expressed in sterling were slightly down on 1987 due to the substantial impact of changing currency values, particularly the US dollar. In pharma-ceuticals, sales volumes of key products continued to grow strongly and the business maintained an active programme of new product launches around the world. Paint demand was buoyant in most sectors In Europe and North America. Colours and fine chemicals continued to improve and polymethanes profit remained firm.

Trading profit in Industrial Products was £351m in the first half of 1988, an increase of £60m on the same period in 1987. General chemicals and petrochemicals and plastics profits advanced as the businesses continued to benefit from strong demand and relatively low feedstock costs.

In Agriculture, first half profit increased by £44m to

£106m in 1988. Agrochemicals and plant breeding advanced by £71m, with a strong contribution from former Stauffer products. Fertilizer sales deteriorated and the business recorded a loss of £12m in the first half of 1988, including restructuring costs of £6m relating to straight nitroger

Group profit before tax in the second quarter of 1988 was £425m, £67m above the first quarter Profit benefited from the seasonal strength of some high margin businesses and lower costs. Sales volume in the second quarter rose by 2% and local currency selling prices advanced by 1%.

A £44m charge for extraordinary items in the first half of 1988 is in respect of restructuring UK compound fertilizer production facilities, as announced earlier. The outlook for the remainder of 1988 is encouraging

given reasonable international trading conditions. The following table summarises the quarterly sales to

external customers, profit before tax and earnings per share. A summarised profit and loss account is given in the second table following.

	Tumover	Profit Before Tax	Earnings per£1 Ordinary Share
1987	£m	£m	pence
lst Quarter	2,760	334	28.5
2nd Quarter	2.809	357	30.7
3rd Quarter	2,718	313	27.8
4th Quarter	2.836	.308	26.6
Year	11.123	1,312	113.6
1988			
1st Quarter	2.937	358	31.5
2nd Quarter	2,930	425	37.8

The tax charge for the first half of the year amounted to £290m (first half year 1987 £274m), comprising UK corporation tax of £113m (£123m) and £177m (£151m) in respect of overseas and related companies.

The Board has declared an interim dividend of 18.0 pence (eighteen point nought pence) per £1 Ordinary Share of the Company in respect of the year 1988 (1987 16.0 pence). This together with the imputed tax credit of 6.0 pence is equivalent to a gross dividend of 24.0 pence (1987 21.92 pence).

The interim dividend now declared will absorb £122m and is payable on 3 October 1988 to Ordinary Shareholders registered in the books of the Company on 22 August 1988.

As indicated in the 1987 Annual Report, it is currently expected that the second interim dividend will be paid in the last week of April 1989.

The unaudited trading results of the Group for the first

nam Or 1900	, WILL COLL	parative figures for 1987, are	as ionows
1987 First Half £m	Year* £m		1988 First Half £m
1.354 4.215	2.732 8.391	Turnover United Kingdom Overseas	1,360 4,507
5,569	11.123	Total	5.867
688	1,297	Trading Profit	717
231	464	After providing for: Depreciation Income from related	239
81 78	157 142	companies Net interest payable	_83 _77
691	1.312	Profit on ordinary activities before taxation Tax on profit	783
-274	504	on ordinary activities	-290
417 24	808 -48	Profit on ordinary activities after taxation Attributable to minorities	493 -24
393	760	Net profit attributable to parent company Extraordinary items	469 -44
393	760	Net profit for the financial period	425
59.2p	113.6р	Earnings before extraordinary items per £1 Ordinary Share	69.3p

Abridged results: full accounts with an unqualified audit report have been lodged with the Registrar of Companies.

Trading results for the first nine months of 1988 will be announced on Thursday 27 October 1988.

IMPERIAL CHEMICAL INDUSTRIES PLC

Aaronson Bros. PLC

	m Keport audited)		
_	Half-year ended 31.3.88 \$7000	Half-year ended 3.387 5 (00)	Year ended 30,987 STAN
Turnover Profit before taxation Taxation Group net profit	62,196 3,168 350 2,818	54,347 2,848 696 2,152	107,070 5,578 1,133 4,445
Extraordinary charges Net dividend per ordinary share	740 1.8p	1.7p	1,210 5.45p
Earnings per ordinary share Interim Results	7.63p	5.90p	12.06p

Profit before taxation for the half-year period was ahead of that for the comparative period in 1987 on turnover increased by approximately 14 per cent to \$62,196,000. As a result of our ongoing capital investment programme we anticipate a low tax charge for this financial year and taxation has therefore been provided for this period on that basis. The extraordinary charge reflects the costs of discontinued operations.

Interim Dividend

An increased interim dividend of L8p per share (1987:17p) is recommended.

Current Trading and Prospects

In accordance with the Group's stated policy of placing increased emphasis on its core manufacturing businesses the Board has concluded the sale of the distribution companies in England. It has also decided to close distribution operations in Eire.

The Board is confident in the light of current circumstances that results for the year should be ahead of last year.

Aarouson Bros. PLC, Aro House, 18-19 Long Lane, London EC1A 9NT

Traders 'bale out' as coffee plunge continues

COFFEE PRICES continued to speculative money in New plunge yesterday in London as traders holding long positions "simply haled out." as one dealer but it.

The second position robusta futures contract on the London Futures and Options Exchange (Fox) collapsed to a seven-year low of £957 a tonne before closing at £985 a tonne. This compares with a close of £1,046 on Wednesday, when prices tumbled £37 a tonne in spite of a 1.5m bag cut in the Interna-tional Coffee Organisation's total world export quota.

A lack of confidence in the ICO's ability to support world prices was one of the major factors in the shake-out of

York on Wednesday night. The Coffee, Cocoa and Sugar Exchange contract for September fell 8.90 cents a lb to 124.05 cents as rumours spread that the ICO agreement was in danger of collapse.

Both Colombia and Brazil

last night said that any rumours that they were leaving, or threatening to leave. the agreement were untrue. Mr Lindenberg Sette, the Brazilian delegate, was reported hy Reuters as saying the rumours had "depressed the market without any basis in fact what-

"If it were not so serious it would he childish for the

unfounded rumours," he said. Talks are underway at the organisation's beadquarters on the shape the next coffee agreement should take when the current one expires in September next year. But producers and consumers are far apart. and little progress is expected until the full 1CO Council

meets this September.
The London market is now extremely nervous, and watching the New York price move-ments carefully, said one dealer last night. Yesterday's sharply lower New York opening was a further surprise to the market — US dealers had predicted it would be broadly unchanged.

Raw deal for Soviet drinkers

By John Lloyd in Mascaw

THE SOVIET drinker is getting a raw deal under perestrolka, but sugar, raw or refined he is not getting. Mikhail Gorba-chev's crackdown on liquor has lowered official consumption, but immediately created a brew-it-yourself network of samogon (moonshine) stills which have helped pusb up sugar consumption by up to 20 per cent in many parts of the

The moonshiners' cause has, nowever, found a champion in Pravda, the organ of the Communist Party's central committee. A front page article yester-day was headed: "How are we coping with the shortage?" and supplied its own answer.

"There is a real danger," says the article. "that enterprises will prove unprepared for the coming season." In the

the world sugar market. Latest projections put this year's Soviet purchases in the range of 1.7m to 2m tonnes, in spite of last year's near-record 90m tonnes domestic harvest. The US Agriculture Department tion here at some 14.1m tonnes of sugar between September 1987 and August 1988 - up 700,000 tonnes from the previous year.

"Part of the blame," says Pravda, "rests with the beet growers and sugar refiners. They must now decide how to

Qnoting figures from Goskomstat, the state statistics committee, Pravda says that the present five year plan calls for sugar refining to be stepped up to 115,000 tonnes a day and for the construction of 6.5m past two years, the Soviet square metres of refining Union has bought heavily on capacity. By the end of two

years, however, only one fifth of the plan's target had been

Pravda calls for the yield of sugar beet to increase from a present average of 250 centners (1 centner equals 100 kg) to at st 271 centners per hectare

The report says that repair work at refineries has slowed; replacement equipment, partic-ularly filtering centrifuges are in ever-shorter supply and that the reconstruction of many refineries has been interrupted, particularly in the Ukraine. It also blames extensive loss of sugar beet between field and refinery - a common problem usually ascribed to the poor state of Soviet country roads. Meanwhile, in sweltering

Moscow, the longest queues are still at the liquor shops open for only a few hours in the afternoon. And the sugar shops - when there is sugar.

Sugar arbitrage contract planned

THE LONDON Futures and 478,000 lots, and is averaging Options Exchange (Fox) is planning to launch an arbitrage contract between white and raw sugar on the Auto-mated Trading System which it now runs for its white sugar

market.
Screen-hased automated trading, launched a year ago this week, has succeeded in this week, has succeeded in establishing London as the centre of white sugar trading. London that was going to the The arhitrage contract will allow trading on the price difference between the whites s contract. which is traded by open outcry. It is expected to be up and running within three months, Mr Con Lenan, Fox marketing In its first year the white

1.600 lots a day with a high level of open interest. This is a small turnover compared with the raws contract, which traded 617,240 lots in the first half of this year - but the costs of trading the whites are

The cheapness of running

"The advent of automatic trading allows us to look at new contract opportunities," said Mr Lenan. "The cost of

launching a contract in an open nutcry system represents a major investment, especially

COCOA E/lonna

in manpower, and a major risk.
"But the cost of an ATS screen is in the order of £15,000 to £16,000 a year, and a firm can trade in its back office."

The exchange is now looking at the possibility of introduc-

ing ATS contracts in rubber

and arabica coffee next year.

The rubber contract would most likely he based on TSR 20 rubber - the grade most likely to attract hedgers, according to Mr Lenan. He is certain that it would attract husiness from the Far East (the Kuala has a contract based on RSS 1 rubher) because the contract would be price reported, and be guaranteed and cleared through London's International Commodities Clearing

prospects improve as drought ends

By David Owen, recently in

A SEVERE drought which has tormented Cuban farmers for four years is nver. improving prospects for the island's sugar, tobacco and citrus fruit harvests in the 1988-89 crop

The lack of moisture has impaired both the quality and quantity of Cuban agricultural production since 1984.

The crisis has come at a time when the loss in value of the US dullar has combined with the decline in world off prices to precipitate an acute ahortage of hard currency on the island.

Local experts are now opti-mistic that 1988-89 will bring. Cuba's first 8m-toune raw sugar crop since 1984-85. Workers have responded to an exceptional call by Fidel

Castro, the Chban president, to work through the traditional July-Angust huliday period to clear the cane fields

Optimism has been further halstered by the recant improvement in world sugar markets. Prices in New York for sugar for October delivery had soared as high as 14.5 cts. a lb prior tn this week's

Ironically, rain is rumoured to have caused some spoilage of the 1987-88 crop already warehoused. The crop is now estimated at between 7.3m and

Mixed blessing

That would be an improve-ment from the previous year's disappointing 7.1m-tonne crop hut may not be enough to pre-vent Cuba again having to buy on the world market to meet its delivery commitments. In this case, the recent bull market in sugar would be a dis-tinctly mixed blessing. In 1986, when raw sngar exports totalled 6.7m tonnes,

the sugar industry accounted for 77 per cent of Coha's over-all hard and soft currency Most of the country's raw sugar is sold to the Soviet Union on long term contracts

in return for oil, a portion of which is then re-exported to The rains will also provide a boost for the island's fledgling citrus fruit industry, which has expanded rapidly in recent years as part of a drive to

Caban citrus fruit exports rose by 143 per cent to 468,500 tonnes between 1980 and 1986. The country's distinctiva green Oranges, in particular, are developing a following even in the West.

WORLD COMMODITIES PRICES

Cuban farm | Playing to aluminium's strengths

Kenneth Gooding on European producers' development strategy

1980 82 84 86 88*80 82 84 86 88*

Senior executives in adequata product. For example, the introduction of large aluminium extrusions for have few illusions about the rail cars was only made possihave few illusions about the difficulties they face. In fact they willingly point out the

Tn start with, Europe is becoming the non-communist world's high-cost primary aluminium producer, taking over from the US, where painful rationalisation has brought down production costs with a

hump.
That might create problems for the European companies because they have less flexibil-Ity than their American coun-terparts and are unt in a position easily to shut down production during severe downturns in demand.

At the same time, the rapid growth in demand for aluminium in western Europe, which galloped along at an annual 9 per cent before 1970, has slowed to a sedate pace in the past 10 years, following more closely the reginn's nverall

economic trends.

So the European industry can no longer hope for much extra growth in volume or tonnage. Instead it will concentrate on increasing its financial returns from better material performance and products with

higher added value.
The industry was well prepared for this development, according to Mr Theodor Tschopp, chairman of the European Aluminium Associa-

tion.

He says, he way of example:

"We have learned how to roll thinner foil, how to reduce the wall thickness of extrusions, how to produce light-weight Al-Li (sic) alloys for aircraft and how to reduce the gauge of beverage cans,"

Another dimension of the aluminium industry's innova-tion is the introduction of more complex products with better

performance, he says.

Modern die casting techniques, for example, allow the production of high quality aluminium components, with ubstantially improved mechanical properties, for the automotiva industry. Mr Tschopp says: "Increas-

ingly we supply the customer with much more than just an

hie through the industry devel-oping and supplying new design concepts and naw assembly methods, thereby reducing assembly time from

days to hours." The industry is also hoping to take advantage of the attractive opportunity for improving the performance of its product by combining the specific prop-

Primary Aluminium

Total (Not-Communist World)

erties of aluminium - strength and lightness - with those of

The art of combining different materials, be they metals, plastics or others, has already been well-established in many applications and today aluminium-plastic composites are

standard in uses as varied as packaging for food or pharma-

ceuticals and even architec-

tural elements.
With their added value

strategy in mind, the alumin-

ium producers are looking for-ward to 1992, when tariff barri-ers within the European Community are due to he

Mr Tschopp says, enthusias-tically: "We hope that, after negotiations between the EC and the EFTA countries, we shall have available to us a unione market of 300m recole

unique market of 320m people, far more than that of the US.

The aluminium industry will

be able to henefit from cost savings through economies of

"It will justify and encourage increased, research and devel-

other materials.

opment expenditures, leading the European aluminium industry to another strong innovative thrust."

Privately, other executives suggest that after 1992 it is likely that joint ventures. involving several companies. will spring up as the industry tries its hand at new down-

tries its half at new tries its stream aluminium products.

The industry has been discussing its future against a background of exceptionally buoyant current conditions.

Consumption (million tonnes)

Demand for aluminium is high and so are prices.

After suffering a long period of severe recession, in 1987 the

industry had a bannar year.

Consumption of primary aluminium in western Europe

reached a record 4.1m tonnes,

snpply and can hardly be cut any further, so imports will rise again this year.

To help compensate for the growing need for imports of primary aluminium, which

come from low-cost areas such

as Venezuela, Canada, Bahrain and Dubai, the European

industry is putting much more

emphasis on recycling and pro-duction of secondary alumin-ium (from scrap and reclaimed

Already the secondary metal industry provides about one third of Europe's aluminium requirements, including 80 per cent of the aluminium foundry metal consumed by the auto-

motive industry.

It is also spending time and money to encourage recycling of aluminium beverage cans in England, Italy and Austria. In Sweden an efficient national collection system is today recovering up to 85 per cent of

recovering up to 85 per cent of used cans.

But none of this answers the thorny question about how the industry hopes to cope with the problems of being the western world's high-cost producer of primary aluminium. (There is less concern about the industry's fabricatinn operations which during the past fiva years have heen extensively modernised at considerable cost to give productivity gains in 7 per cent to 8 per cent a year.)

As Mr Tschepp points out, the aluminium industry's structure is changing on a global level. Major new smelter capacities are being instatled outside those markets, such as Europe, where fabricated atuminium products are mainly used. Capacity is moving to South America, Australia and Canada,

lia and Canada, "With few exceptions, for instance Norway and Iceland.
potential sites for new smelters
in Europe have become very
scarce," he admits.
This is of more than passing
concern to the European Com-

some 600,000 tonnes more than production in the region. Demand was satisfied partly by running down stocks to the tune of 170,000 tonnes, leaving a net import requirement of mission because aluminium is prinduced and fabricated in 430,000 tonnes.

The association predicts that nearly all the community countries and the value of producdemand this year will grow by tion is estimated at about 35bn between 1.5 per cent and 2 per cent from the 1987 record level. Stocks are down to 40 days.

tion is estimated at about 350n Ecu (23bn) a year.

The European aluminium industry employs well over 100,000 people and provides jobs in many other associated sectors. The association suggests the livelihoods of more than 300,000 people in Europe depend on aluminium.

Enrichemore many of the Furthermore, many of the

plants are located in areas which are economically less-developed so the industry often makes a contribution to improving or developing regional economic structures.

Havana reports 22.5 per cent rise in nickel output By David Owen

FIRST QUARTER Cuhan nickel production rose by almost 2,000 tonnes or 22.5 per

cent from 1967 levels, following the start up late last year of the much-delayed Ernesto Che the eastern province of Holguin.

Output totalled 10.653 tonnes, against 8,691 a year ago, according to the state statistical committee. The additional tonnage is destined for the eastern bloc, in accordance with an agreement to ship two-thirds of the new plant's output to the Comecon countries to repay the cost of its construction.

duction, problems continue to plague the Che Guevara plant, on which construction began as long ago as 1976. This year's output is slated at 10,000 tonnes - or one-third of even-

tual capacity.

According to local press reports, the first of the plant's three banks of furnaces is still not functioning at maximum efficiency. A second hank is due to be fired up between May

Leaks and hreakdowns are still frequent due to the poor quality of furnace linings, the reports stated. A team of workers has been imported from the nearby Nicaro plant in a bid to

compensata for the inexperience of the Che Guevara work-force. The plant's washing and drying facilities remain unfin-

Meanwhile, the number of Cuban nickel industry fell hy some 14 per cent last year, according to the Moa-based Union of Nickel Enterprises Employees now total just under 19,000, the union said, against 22,000 a year ago.

LONDON MARKETS

sugar contract has traded

THE IMPACT of the Ivory Coast's policy of withholding cocoa from the market because of the low level of world prices was continuing to make (tse)! leli yesterday. As concern deepene about the resultant tightness of supplies evailable for immediate delivery nearby positions were pushed higher again on the London futures market. The September position, which gained £16 on Wednesday, went up snother £22 to £965 a tonne. The International Cocce Organisation buffe stock manager conlirmed yeaterday that he had yet to take delivery of about 2,000 tonnes of purchases contracted for dalivery by the end of this month. He said it was possible that one trader in particular might have to default on deliveries due to tha buffer stock and that, in that case, he (the merket to cover the shortfall.

POT MARKETS		
Crude oil (per parrel FOB 8	ieptember)	+ or -
Ouban Brent Blend W.1 I, I1 pm est)	\$13 90-4.00y \$15 75-5.82z \$16 27-6.32y	+ .285
Oli products (NWE prompt delivery per	tonne CIF)	+ or -
Premium Gasoline Gas Oil Heavy Fuel Oil Naphiha Petroleum Argus Estimates	\$183-165 5135-137 571-73 5140-142	+2
Other		+ ar -
Gold (per troy oz) Silver (per troy oz) Platinum (per troy oz) Palladium (per troy oz)	\$432.25 880c \$522.50 \$125.75	-0.75 -20 -6.35 -0.75
Aluminium liree market; Copper (US Producer) Lead (US Producer) Nichol (free maillet) Tin (European Iree market) Tin (Kuala Lumpur market) Tin (New York) Zinc [Euro. Prod Price) Zinc [US Prime Western]		-3½ -10 +30 +004 +125
Cattle (live weight)? Shaep (dead weight)? Pigs (live weight)?	114 58p 188 31p 68 20p	
London daily sugar (raw) Longon daily sugar (white) Tale and Lyle export price	£293.0	-11 -7 -9.5
Bailey (English feed) Maize (US No. 3 yellow) Wheal (US Dark Northern)	£101.752 £143.5w £120.25z	+ 0.25
Rubber Spotl♥ Rubber Sep ♥ Rubber (Oci ♥ Rubber KL RSS No 1 Aug	74.25p 80.25p 80.50p 348.5m	·175 ·200 ·200 ·30
Coconut ot [Philippinae15 Palm Oit [Melaysian15 Copra (Philippines)§ Soyabeans (US)	\$600# \$4652 \$430 \$179w	-10 +5
Cotton "A" index Wooltops (64s Super)		-0 35

products			Mar	230.0
WE prompt delivery per	tonne CIF)		May	228,0
		+ or -	AUG	225.0
enum Casalina	\$183-185		Oct	2200
emium Gasoline			White	Close
IS OIL	5135-137 571-73	+2		
avy Fuel Oil	5140-142		Oct	268.0
iphiha Iroleum Argus Estimates			Dec	266 (
Iranem Argus Calimates			Mar	265.0
ner-		+ ar -	May	263.0
			Aug	265 (
ad iper troy oz	\$432.25	-0.75	Oct	262.0
ver (per troy oz)	680c	-20	Turnover	- Aa
aliaum (per troy oz)	\$522.50	-6.35	White 20	
Illadium (per troy ozi	\$125 75	-0.75	Paris- W	
uminiym (Tree market)	\$2700		Mar 169	
	1043g-105c	41-	Julian 1956	, mg
oper (US Producer)		-3½	GAS OIL	S/ton
ad (US Producer)	36c			
chol (free market)	650c	-10		Clos
(European Irce market)		+ 30	Aug	136 ;
(Kuala Lumpur markai)		+0.04	Seo	137.7
(New York)	338 25c	+ 1.25	Oct	139 5
nc (Euro. Prod. Pnce)	S1200		-	
nc jus Prime Westerni	65 ₂ 4 C		Nov	141 0
#I - G	114 50-		Oec	141 7
file (livo weight))	114 58p		Jan	140.7
acp (dead weight)?	188 31p		Turnover	57W
tirdiew evil e	68 20p			
ndon daily sugal (raw)	\$316x	-11	GRAINS	CARORII
ngon daily sugar (white)	\$290×	-7	Wheat	Close
le and Lyle export price	£293.0	-9.5	-	_
al and the same	0404 74.		Se p	106 0
I'ey (English feed)	2101.752	+ 0.25	Nov	108.2
iite (US No. 3 yellow)	£143.5w		net	111.1
ieal IUS Dark Northern)	£120.25z		Mar	1136
bber (Spot)	74.25p	175	May	1163
bber (Sep)♥				_
	80.25p	-2 00	Sariey	Close
Ober (Oci) 🛡	80 50 _b	-2.00	Sep	101.0
bber IKL RSS No 1 Aug)	348.3m	-30		104.0
Conut oil (Philippings15	\$600x	-10	Nov	1067
m Cit Maiaysian §	5465z		Jan	•
ora (Philippines)§	5430	+5	Mar	109 0
yabeans (US)	\$178w	- 5	May ·	1109
ton "A" indox	61.55c	0.76	Turnover	Who
ugn A maga oltops (64s Super)		-0 35	Turnover	
CHIODS (042 GODEL)	650p			
tonne unless atherwise			POTATO	E3 (2)
enis-10 r-ringgil/kg x-A ing q-AugiOct w-Jul/Aug				Close
			Nov	74.4
ision average latstock pr				74 0
week ago Whondon sh			Fe0	89 0
cerdam 🏟 Bullion mari	nat clase w	-MAISA-	Apr	103 4

Jly	950	925	947 936
Sep	965	943	970 942
Dec Mar	953 956	944 953	955 943 955 946
May	971	967	968 962
Jul	990	981	991 990
Sap	1010	1005	1000 995
Turnove	r: 5279 (11029) lots	of 10 tonnes
ICCO II	OCHIO: I	orices (SOF	ts per tonne). Osil 184.55) '10 day aver
price to	r July 27	1203.45 (1 1227.12 (12	184.55) '10 day ave
		1227.12 (12	33.111.
COFFE	E/tonne		
	Close	Previous	High/Low
Jly	986	1035	1000 947
Sep	965	1046	1013 957
Nov Jan	991 999	1055 1065	1025 973 1030 975
Mar	1010	1070	1037 975
May	1015	1067	1042 1000
Jiy	1010	1075	1050 1040
July 27 Average	:Gomp. :114 39 (daily 110.1; 114.61)	ents per pound) lo
	(\$ per to		
Flaw	Close	Previous	High/Low
Aug	258,80	278 00	281.00 264 00
Oct	251.00	264.00	275.00 248.00
Dec Mar	244,00	290.00 238.00	255.00 255.00 248.20 228.00
May	228,00	237 00	244 00 225 00
Aug	225.00	234.00	236.00
<u> </u>	220 00	232 00	
White	Close	Previous	High/Low
Oct	268.00	277 00	242.00 265.00
Dec Mar	266,00 265,00	283 00	235 50 263 00
me.	200,00	212 00	
May	263.00	272 00	277 00 272 00
May Aug	263.00 265.00	272 00 283.00	277 00 272 00 280 00
Aug Oct	265,00 262,00	283.00 281.00	280 00 280 00
Aug Oct Turnove Wrute 2 Paris- V Mar 16	265 00 262.00 er Flaw 1 012 1638 Vhite FFr 33. May 1	253.00 261.00 9513 (6512) / .	280 00
Aug Oct Turnove Wrute 2 Paris- V Mar 16	265,00 262,00 or Flaw 012 1638 Vhite FFr 33, May 1 L S/tonne	253.00 261.00 9513 (6512) / .	280 00 280 00 loss of 50 tonnes Oct 1689 Dec 1692
Aug Oct Turnove Wrute 2 Paris- V Mar 16	265 00 262.00 er Flaw 1 012 1638 Vhite FFr 33. May 1	253.00 261.00 9513 (6512) / .	280 00 280 00 loss of 50 tonnes Oct 1689 Dec 1692
Aug Oct Turnove Wrute 2 Paris- V Mar 16	265,00 262,00 or Flaw 012 1638 Vhite FFr 33, May 1 L S/tonne	283.00 281.00 9513 (6512) / - per tonne) 710, Aug 1	280 00 280 00 lots of 50 tonnes Oct 1599 Dec 1692 710 Oct 1710
Aug Oct Turnove White 2 Paris- V Mar 16 GAS OI Aug Sep	265 00 262.00 or Flaw 1 012 1638 White FFr 93. May 1 L S/tonne Close 136 15 137.75	283.00 281.00 281.00 28513 (6512) 7 - per tonner 710. Aug 1 Previous 135.00 135.50	280 00 280 00 lors of 50 lonnes Oct 1889 Dec 1690 710 Oct 1710 High/Low 137-25 135-50 138 00 136 00
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Aug Oct Turnovi White 2 Paris- V Mar 167 GAS OI Aug Oct Nov Oct Jan	265 00 262.00 or Raw : 012 1638 Vhite FFr 33. May 1 L S/tonne Close 136 : 5 137 : 75 141 00 141 75 140.75	283.00 281.00 281.00 91.3 (6512) 997 tonnet 710, Aug 1 135.00 135.50 137.00 138.25 139.25 138.00	280 00 280 00 lors of 50 lonnes Cct 1589 Dec 1690 710 Oct 1710 JHgh/Low 137-25 135-50 138 00 136 00 139:75 137.75 141 00 139 75 142 00 140 75 142.05 140 00
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Aug Oct Turnown White 2 Paris - V Mar 167 GAS OI Aug Oct Nov Oec Jan Turnovs GRAINS Wheat Sep Nov Nov	265 00 262.00 262.00 1012 1638 White FFr 33. May 1 L Sytonne Close 136 15 137.75 139 50 141 105 140.75 x 5780 (3 8 Efforme Close 106 00 108 20 111.15	283.00 281.00 281.00 281.06512] 7 . Per tonnet 710, Aug 1 135.00 135.50 137.00 139.25 138.00 9551 lots of Previous 108.50 108.50 111.50	280 00 280 00 1073 of 50 tonnes 1073 of 50 tonnes 1380 Dec 1692 138 00 138 00 138 01 136 00 139 75 137.75 141 00 139 75 142 00 140 75 142 00 140 75 142 00 100 tonnes 100 tonnes
Aug Oct White 2 Parts V Mar 167 GAS OI Aug Oct Nov Jan Turnove GRAINS Wheat Sep Nov Jan Nov Jan Mar	265,00 262,00 27 Raw 012 1638 Vivite FFF 33. May 1 L Sttonne Close 136 : 5 137.75 139 : 50 141 : 100 141 : 15 140.7	283.00 281.00 281.00 281.06512) 7. per tonnet 710. Aug 1 135.00 137.00 137.00 139.25 139.25 138.25 138.25 138.00 106.23 108.50 111.50	280 00 280 00 280 00 lots of 50 lannes Oct 1689 Dec 1692 710 Oct 1710 High/Low 137-25 135-50 138-00 136-00 139-75 137-75 142 00 140-75 142.75 140-00 100 tonnes Highlicow 100 25 108-00 108-75 108-20 111.75 111 15 714 55 113-55
Aug Oct Turnom White 2 Paris- V Mar 161 GAS Of Aug Oct Nov Oct Nov Oct Nov Oct Nov Oct Vinear Turnov GRAINS Vinear Nov Jan Nov Jan Har 161 Nov Oct Mar 161 Mar	265,00 265,00 265,00 or Raw 1012 1638 White FFF 33. May 1 L Stronne Close 136 15 137.75 139.50 141.15 140.75	283.00 281.06212	280 00 280 00 280 00 280 00 1018 0f 50 lannes Oct 1689 Dec 1695 710 Oct 1710 137-25 135-50 138 00 136 00 139 75 137.75 142 00 140 75 144 00 139 75 144 00 140 75 140.75 144 00 100 tonnes HightLow 108 75 108 30 111.75 111 15 714 05 113 65 116.60 118.30 HightLow 101 35 101 00
Aug Oct Winde 2 Paris V Mer 169 CAS OI Sep Oct Nov Oec Jan Turnovs GRAINS Vineat Sep Nov Jan Mar Mar Mar Mar Mar Mar Mar Mar Mar Mar	265,00 265,00 pr Raw 1 012 1638 White FFr 33. May 1 L Stronne Close 136 15 137.75 139 50 141 00 141 15 140.75 w 5780 (3 i Ettorne 106 00 108:20 111.15 113 65 116 30 Close 101.00 104 00 104 105 113 65 116 30 Close	283.00 281.00 28	280 00 28
Aug Oct Turnow White 2 Paris 1 May Oct	265,00 262,00 262,00 262,00 262,00 262,00 262,00 262,00 262,00 263,00 26	283.00 281.00 28	280 00 280 00 280 00 10ts of 50 lannes Oct 1689 Dec 1693 710 Oct 1710 137-25 135-50 138 00 136 00 138 75 137.75 142 00 140 75 144 00 139 75 144 00 140 75 140.75 140 00 100 lonnes HighlLow 100 lonnes HighlLow 101 35 105 00 111.75 111 15 714 05 115.30 High/Low 101 35 101 00 104 30 104 00 107 19 106 75
Aug Oct Turnowe White 2 Paris V Marie V GAS Oct Oct Oct Oct Oct Oct Osc Jan Turnove GRANS Wheat Sep Nov Jan Mary Sep Nov Mary Mary Mary Mary Mary Mary Mary Mary	265 00 262.00 262.00 27 Paw 012 1638 Vinte FFr 31. Sytonne 136 15 137.75 139 50 141 15 140.75 141 05 165 00 161 15 113 65 111.15 113 65 1105 00 106 00 106 00 106 00 106 00 106 00	283.00 281.00 281.00 281.00 281.06512] 7 -	280 00 280 00 280 00 280 00 280 00 1010 of 50 lannes Oct 1689 Dec 1695 710 Oct 1710 137-25 135-50 138 00 136 00 139-75 137.75 142 00 140 75 142 00 140 75 142 00 140 75 142 135 50 100 tonnes HightLow 101 25 106 00 113.75 113 55 116.60 118.30 HightLow 101 35 101 00 104 30 104 00 107 10 106 75 108.45 109 00
Aug Oct Turnow White 2 Paris 1 When 2 Paris 1 When 2 Paris 1 When 2 Paris 1 When 2 Paris 1 Par	265 00 262.00 262.00 27 Paw 012 1638 Vinte FFr 33. May 1 L Sytonne Close 136 15 137.75 139 50 141 15 140.75 sr 5780 (3 6 2/torne Close 106 00 111.15 113 650 106 00 106 00 106 00 106 00 106 00 110 90 110 90	283.00 281.00 281.00 281.00 281.06512] 7 . Per tonnet 710, Aug 1 7	280 00 280 00 280 00 280 00 1018 of 50 lannes Oct 1689 Dec 1655 710 Oct 1710 137-25 135-50 138 00 136 00 139:75 137.75 142 00 140 75 144 00 139 75 144 00 140 75 140.75 140 00 100 lonnes Highlicow 108 25 106 00 108 75 108 20 111.75 111 15 714 05 113 65 116.60 118.30 Highlicow 101 35 101 00 104 30 104 00 107 10 108 75 108.45 109 00 111 20 110 90
Aug Oct Turnow White 2 Paris 1 May 1	265,00 265,00 265,00 pr Raw 1012 1638 White FFF 33. May 1 L Stronne Close 136 15 137.75 139 50 141 15 140.75 175 139 50 141 15 140.75 175 175 175 175 175 175 175 175 175 1	283.00 281.00 281.00 281.00 281.3 (6512) 7. per tonnej 710. Aug 1 Previous 135.00 137.00 138.25 139.25 139.25 138.00 9251 lota of Previous 106.28 108.50 111.50 214.00 116.60 Previous 100.395 106.75 100.95 100.95 100.75	280 00 280 00 280 00 280 00 280 00 1010 of 50 lannes Oct 1689 Dec 1695 710 Oct 1710 137-25 135-50 138 00 136 00 139-75 137.75 142 00 140 75 142 00 140 75 142 00 140 75 142 135 50 100 tonnes HightLow 101 25 106 00 113.75 113 55 116.60 118.30 HightLow 101 35 101 00 104 30 104 00 107 10 106 75 108.45 109 00
Aug Oct Turnow White 2 Paris 1 May Oct	265,00 262,00 262,00 267,00 267,00 267,00 267,00 268,00 26	283.00 281.00 281.00 281.00 281.06512) 7. 281 tonnet 710. Aug 1 Previous 135.00 137.00 138.25 139.25 139.25 138.00 Previous 106.28 108.50 111.50 Previous 100.38 100.75 100.85 100.75 100.85 100.75 100.85 100.75 100.85 1	280 00 280 00 280 00 280 00 1018 of 50 lannes Oct 1689 Dec 1655 710 Oct 1710 137-25 135-50 138 00 136 00 139:75 137.75 142 00 140 75 144 00 139 75 144 00 140 75 140.75 140 00 100 lonnes Highlicow 108 25 106 00 108 75 108 20 111.75 111 15 714 05 113 65 116.60 118.30 Highlicow 101 35 101 00 104 30 104 00 107 10 108 75 108.45 109 00 111 20 110 90
Aug Oct Turnow White 2 Paris 1 May Oct	265,00 265,00 265,00 pr Raw 1012 1638 White FFF 33. May 1 L Stronne Close 136 15 137.75 139 50 141 15 140.75 175 139 50 141 15 140.75 175 175 175 175 175 175 175 175 175 1	283.00 281.00 281.00 281.00 281.06512) 7. 281 tonnet 710. Aug 1 Previous 135.00 137.00 138.25 139.25 139.25 138.00 Previous 106.28 108.50 111.50 Previous 100.38 100.75 100.85 100.75 100.85 100.75 100.85 100.75 100.85 1	280 00 280 00 280 00 280 00 1018 of 50 lannes Oct 1689 Dec 1655 710 Oct 1710 137-25 135-50 138 00 136 00 139:75 137.75 142 00 140 75 144 00 139 75 144 00 140 75 140.75 140 00 100 lonnes Highlicow 108 25 106 00 108 75 108 20 111.75 111 15 714 05 113 65 116.60 118.30 Highlicow 101 35 101 00 104 30 104 00 107 10 108 75 108.45 109 00 111 20 110 90
Aug Oct Turnow White 2 Paris 1 May Oct	265,00 262,00 262,00 267,00 267,00 267,00 267,00 268,00 26	283.00 281.00 281.00 281.00 281.06512) 7. 281 tonnet 710. Aug 1 Previous 135.00 137.00 138.25 139.25 139.25 138.00 9251 fota of Previous 106.28 108.50 111.50 Previous 100.38 100.75 100.85 100.75 100.85 100.75 100.85 100.75 100.85 100.75 100.85 1	280 00 280 00 280 00 1018 07 50 lannes 1018 07 50 lannes 110 0ct 1710 113 0ct 1710 114 0ct 173 137.75 142 0ct 140 0ct 140 0ct 175 150 0ct 175 160 0ct 175

700 591

	METAL EXC	HANGE	(P	rioss supplied I	by Amalgamate	ed Metal Trading
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium	, 98.7% purity	(S per tonne)			Ring to	mover 500 tonne
Cash 3 months	2670-90 2520-50	2660-700 2560-80		2695-705 2560-85	2540-60	7,017 lats
Alumbium	,99.5% purity	(C per tonne)			Ring tume	over 21,850 torms
Cash 3 months	1491-5 1399-400	1507-17 1426-28	1495 1416/1400	1495-7 1413-4	1411-3	48,682 lots
Copper, G	rade A (C per	lonne)			Ring turns	over 19,175 tonne
Cash 3 months	1224-6 1229-31	1231-3 1234-6	1228/1226 1236/1227.5	1225-6 1232-2.5	1233-4	63,539 lots
Copper, S	anderd (£ per	tonne)			Aing	turnover 0 tonne
Cash 3 months	1170-80 1170-80	1175-85 1175-85		1170-80 1170-80		36 lots
Silver (US	cents/fine our	ice)			Bir	g turnover D oza
Cash 3 months	677-80 690-3	685-8 709-12	680	679-80 681-3	690-3	516 lots
Lead (£ pe	r Ionne)				Ring turn	over 5,100 tonne
Cash 3 months	340-2 343-4	338-40 341-2	344/343	341.5-2 343.5-4	343-3.5	17,892 lots
Nickel (\$ p	er tonne)				Aling tu	rnover 012 torine
Cash 3 months	14800-800 13900-4000	14750-800 14000-50	14000/13850	14500-600 13850-900	13900-4000	5,541 lots
Zinc (£ per	tonne)				Ring burt	over 8,550 tonne
Cash	712-4 700-2	711-3 699-700	709 704/687	708 5-8.5 696.5-7.5	704-5	23,106 lots

_	Turno	ver 855 10	1441 lots 01	40 10mes.
	SOYA	BEAN MEA	L Ellonne	
		Close	Previous	High/Low
	Oct	156 00	160.20	157.50 154.00
	Dec	160 00	164.00	160 00 159 00
	Feb	163.00	166.00	
res.	Turno	er 500 (55	9) lots of 2	O tonnes.
592.	FRÉIG	HT FUTUR	ES \$10/Inde	x bajut
_	_	Close	Previous	High/Low
_	Jly	1197	1197	1197 1185
	AUG	1248	1252	1250 1231
	Oct	1401	1404	1406 1300
	Jan	1435	1430	1435, 1420
	Apr	1488 '	1459	1488
	Лy	1276	1268	1276
	8FI	1197	1197	
	Yurne	rer 276 (11	31	
_				
	PRUI	T AND VE	CETABLE	8
				reek, with yellow
_	hone	ydews 50p-	1.20 each, 9	gaira 75p-1.00
_	and w	retermeton	s 1.75-8 50 .	reports FFVIB.
				Cyprus are
			(p-1 40) Nev	
	Alwife	<i>น</i> เข 18-28p (each and be	nanas 32 55p a

Truit and yeg		
lelons are abunda	ni this week, t	with yellow
oneydews 50p-1.2	0 each, gaire i	5p-1.00
nd watermelons	.75-3 50, reper	ts FFVIB.
Vhile seedless on		
5p-100 a to 80p-	40) New Zea	land
iwitruit 18-28p eac		
Homegrown Gr		
re 30-459 a 10 and	English and f	olish
olbernes 2.00-2.30	. Cauliflowers	30-50p.
ew polatoes 6-12	(9-15p) and e	ourgettes
0-50p (35-60p) Ca	rrots 18-250 1	6-28p).
rumo cabbages 16		
lushrooms 40-750		
Op-1 20 a lo (60p-	40), vellow 1	00-1 60
1 50-2 20). Tomato	es at 30-500 at	nd both
dund 17-25p aach		
5-75p ere the san		
elary 19 40-60p a		

69	9-700	704/697	696.5-7.5	704-5	23,106 lots
				•	
ots 01	40 10nnes.		LONDON BU	ILION MARK	ET
nne			Gold (fine oz)	5 price	melavuça 3
vious	High/Lov		Close	432-43212	250-250 l2
.20 .00 .00	157.50 15 160 00 15		Opening fix Afternoon fix Day's high	433 4-434 4	250 ½ -251 ½ 247.047 249.639
s of 2	O tonnes.		Oay's low	426-427	
Q/Inde	x bajut		Coins	S price	Inebavlupe 3
7 2 4 9	High/Low 1197 118 1250 123 1406 139 1435 1420 1488 1276	5	Mapieleaf Britannia US Eagle Angel Krugerrand Naw Sov. Old Sov. Notile Plat	445-450 445-450 445-450 444-449 431-434 10112-10212 10112-103 541.8-548.1	257 12 - 260 12 257 12 - 250 12 257 12 - 260 12 257 14 - 260 249 12 - 251 14 59-59 18 59-60 313.8-317.55
			Silver fix	p/lina oz	US cts equiv
			Spot 3 months 6 months 12 months	391 40 401.95 412.45 433.80	577.75 692.05 706.85 737.55

LONDON HETAL EXC			_		
Aluminium (99 7%)	G	ilis	Puts		
Strike price & tonne	Sept	Nov	Sept	Nov	
2400		263		145	
2550		191		219	
2700		135		310	
Alkuminium (89.5%)	Cı	ils	Puts		
2450	199		62		
2600	121		152		
2750	68		248		
Copper (Grade Al	C	lis	P	uts	
2050	150	176	64	125	
2150	97	131	ГIO	177	
2250	59	95	17:	.739	

_		mmissi	on house		
	Ne	w Y	ork		
_	GOLI	100 troy	oz.: \$/troy (10	
		Ciose	Previous	High/Low	
	Aug Sea	432.5 435.2	433.5 436.2	443,0	430,5
	Oct	438.2	439.0	436.5 439.5	434,4
_	Dec	443.8	444.5	445.7	440.8
	Feb	449.5	450.2	450.4	447.0
	Apr	455.3	486.0	0	0
	Jun	461.2	461,8	451.5	450.5
	Aug	487.3	456.0	487.5	467.5
	<u>0α</u>	473.3	474.0	0 .	
	PLAT	INUM 50 1	roy oz. \$/tro	y oz.	
		Ciose	Previous	High/Low	
	Oct	516.1	533.8	529.5	514:0
,	Jen	524.9	540.6	535.0	523.0
	Apr	532.4	547.5	540.0	530.0
	Jul	539.9	555.3	0 .	0
	Oct	547.4	55 <u>2.8</u>	0	0
	SILVE	R 5,000 tr	cy oz cent	Vitroy 32.	
	_	Close	Previous	High/Low	
	Aug	870.7	696.5	679.0	676.0
	Sep	678.0	702.0	690.5	669.0
	Dec	691.4	717.9	706.0	685.0
CNS	Jan	696.2	722.8	702.0	702.0
	Mar	706.4	733.2	722.0 ·	701.0
	May	716.7	743.9	730.0	719.0
ov v	Jul	728.0	755.6	742.0	723 0
_	Sep Dec	739.3	767.3	755.5	742.0
5		758.8	745.2	775.0	750.0
9	COPP	ER 25,000	ibs; cents/	05	
_		Close	Previous	High/Low	
	Aug	93.80	98,55	94.10	93,00
	Sep .	83 BQ	84.85	94.80	83,40
	Dec	89.60	90.45	90.50	89.10
_	Jen	88.88	89.45		O .
	Mar Mey	87.40 86.65	87.A5	85.00	86.25
5	Jut	85 00	86,25 85,25	B7.00	85.50
7	Sép	85.15	84.25	0	0
9	Dec	84.4s	94.23 94.86	ž	

110	S M	PK	ETE		CRIE	R 09 4 1	ht) 42,000 i	19 calls f	Dagral	- OL	1			
U:	> m/	INN	213		CIGIL	Latest	Previous			. Cn	icag	0		
Silv	er price	s sank o	ver 25 ce	ents ·	_			High/Lo						
sett	ing belo	w thte 7	% level,	reports	Sep	18.27	18.16	16.43	16.23 16.35					
			mbert. O		Oct Dec	16.37	16.25 16.45	16.53	15.53	ZOVA	DEANG .	300 bu min; o	Canta Miles	na had
			about th		Feb	16.72	16,58	16.77	16.68	2017				
				ine. Gold	Mar	16.00	15.50	16.60	16.68		Close	Previous	High/Lor	~
				pht trading.	Apr '	16.72	16.62	18.72	18.72	Aug	741/4	753/4	767/0	740
			latinum		May	18.75	16.65	16.75	16.75	Sep	748/4	760/0	773/0	747
				markets	Jun	16.78	18.59	18.78	18.78	Nov	757/4	784/0	781/0	756
			o again.		HEAT	WIE OIL 4	2,000 US ga	ilis, cents	US galls	Jan	762/0	767/0	784/0	761
			on and v		_	Latest	Previous	High/Lot		. Mar	784/4 765/0	758/4 784/0	783/0	764
			68 CA36		-					- Jul	752/0	762/0	765/0	752 760
			es closo		Aug	.4505	4503	4560	4500	Aug	755/0	740/0	760/0	750
				fee slipped	.Sep	4605	4533 4586	4590 4645	4535 4600			60.000 Ths; (
			after a		Dec	4760	4733	4795	4755	SOIA		60.000 ros; (MICH NO.	
			led by fu		Jan	4805 -	4770	4820	4785		Close	Previous	High/Los	N
			vere the		Fe0	4750	4705	4750	4735	Aug	24.77	24.92	25.65	24.7
					Mar	4580	4540	4610	4580	Sep	25.08	25,17	25.85	25.0
			ner grain		May	4415	4345 .	4415	4418 -	··· Oct	25.35	25.35	26.10	25
			ieli 13 w		COCO	A 10 tonn	es;\$/lonner			Dec	25.78	25.77	26.50	25.
			tollowe		_	Close	Previous	High/Los		_ Jan Mar	25.92 26.05	25.97	28.75	25
			attle and		_					May	25.80	26.10 25.90	26.95 27.00	26
			mostly to		Sep	1509	1503	1534	1505	لاباد	25.75	25.85	27.10	25. 25.
				da oli were	Mar	1510 1521	1504 1518	1526 1535	1506					
			than ac		May	1535	1540	1552	1515 1536	SUTA	DEAN ME	AL 100 tone:	2/100	
				market,	Jul	1570	1561	1225	0		Close	Previous	High/Los	N
			se end)d		Sep	1601	1592	ŏ	ă.	Aug	230.7	234.7	237.5	230
			d rallies		Dec	1624	1615	Ö	ø	Sep	228.2	231,2	234.0	227
				r 100 due	COFF	EE "C" 37	,500tbs; cer	da/lbs		Oct	226.2	228.7	233.0	225
		on hous	e selling	on the	_					Dec	225.7	227.7	232.5	225
os					_	Close	Previous	High/Los		Jan	225.0	226.0	230.0	225
					Sep	123.79	124.05	125.50	116.50	May	224.0	223.5 225.0	230.0	224
					. Dec	125.28	125.72	126.25	118.75	Jul	224.5	226.0	229 Q 229.0	223 223
					May	123.82 124.00	126.06 124.75	125.7 5 125.00	118.16					42.
_					Jul	124.00	124.00	123.50	118,75 119,00	MALE.		min; cents/5	(DO Dushai	
ı	W Y	ork			Sep	122.75	124,01	125.00	123.40	•	Close	Previous	High/Lov	
					Dec	121.00	123.00	D	. 0 .	Sep	265/0	279/6	279/6	264
ш	100 troy	oz.: \$/00;	02.		SUGA	R WORLD	*1f* 112,0	00 fbs: ce	nts/lbe -	Dec	273/6	287/0	209/4	272
	Close	Previou	s High/Lo	- ·		Close	Previóus	High/Los		. Mar	.279/6 .	293/4	295/0	278
_					_			LIGITOR	<u>'</u>	May .	281/2 200/2	295/0	207/0	261
×	432.5	433.5	443,0	430.5	Oct	10.82	11.35	11.72	10.75	Sep	270/4	200/4	205/4	500
zi Zi	435.2 438.2	436.2 439.0	436.5 439.5	434,4	معل	0.80	10.11	S.80	9.50	Dec	261/4	271/4	279/4	265
ic.	443.8	444.5	445.7	435.1 440.8	Mar May	9.95 10.30	10.38 11.30	10.72	9.90				270/0	257
ь	449.5	450.2	450.4	447.0	Jul .	10.02	11,02	10.50 10.30	10.30 10.02	WHEA	T 5,000 St	min; cents/	90m-pastr	ŧ
ď	455.3	456.0	0	0	Oct	9.76	10,76	10.26	9.76		Close	Previous	High/Lov	
n	461.2	461,8	451.5	450.5	~~T	04/ F0 0/0	cents/lbs		00	Sep	957/0	361/4	365/4	
0	487.3	456.0	487.5	467.5	<u> </u>	UN SULUU	COURS/TDS			. Dec	3894	375/0	378/4	353
<u> </u>	473.3	474.0	0 .	0		Close	Previous	High/Los		Mar	372/0	377/0	379/4	356 370
٨ì	INUM 50 t	10y oz. \$/	roy oz.		Oct	56.10	58.60	58.72	66.00	May	352/0	356/0	361/0	348
_	Ciose	Freviou	High/Lo		Dec	54.85	85.70	55.20	54.50	74	327/0	391/0	338/0	327
_					Mar	66,05	56.18	55.76	55.05	LNE	ATTLE 40	,000)ba; con	to Man	
1	516.1	533.8	529.5	- 514:0	May	55.60	56.72	56.40	55.80				Kariba	
n	524.9	540.6	535.0	523.0	Jul	56.30	57.28	57.00	56.30	<u> </u>	Close	Previous	High/Lov	,
r 	532.4 539.9	547.5	540.0	530.0	Oct	67.30	57.97	57.60 ·	57.30	Aug	68,42	68 45	66.7S	- 66
	547.4	555.3 552.8	0	. 0	Dec	57.15	57.85	57.50	57.00	Oct	68.95	66.62	69,05	68.
_					CHAN	GE JUICE	15,000 lbs:	CONTS/Ros		Dec	71.10	71 40	71.75	70
	# 5,000 tr	CA CE CON	ta/troy 62.			Close				Fab	71.72	72.37	72.50	71.
	Close	Praviou	s High/Lo	NA .			Previous	High/Lov	<u>'</u>	Apr	72.72	73.37	73.50	72.
-					Sep	186.90	165,95	168.25	185,60	วัยก	72.50	73.37	73.40	72.4
9	870.7 670.7	696.5	679.0	676.0	Nov	178.50	178.95	179.00	178.20	AUD	70.30	70.85	71.25	70.5
	678.0 691.≼	702.0	690.5	989.0	Jen	172.75	172.40	173,00	771.90	Sep	71.00	71.00	0	0
C L	696.2	717.9 722.6	706.0 702.0	685.0 702.0	Mar	171.60	171,40	171.60	171.30	FIAE H	10 0 5 30,0	oo ib; centy/	be	
r	708.4	733.2	722.0 ·	702.0 701.0	May	170.80 169.50	170,40	170.50	170.50		Close			
y	716.7	743.9	730.0	719.0	Sep	169.50	169.1S 169.15	0	0			Provious	High/Lov	•
•	728.0	755.6	742.0	723 0	Nov	169.50	169.15	0	0	Aug	43.87	45 37	45.00	43.0
•	739.3	767,3	755.5	742.0			·		0	Oct	38,77	39.95	39.80 .	38.6
:	758.8	785.2	775.0	750.G						Dec	41.02	42.35	42.05	40.6
PP	ER 25,000	ibs: cere	Vine.		`.					Feb Apr	43.40 42.85	44.52	4140	43.2
-							·	<u> </u>		Jul	46 00	44 17	44.40 .	42.7
	Close	Previous	High/Lo	₩ .	INDI	CES				Aug	47 80	49.50	49 is	48.0
7	93.80	98.55	94.10	93,00	RELE	ERS 18==	e: Septemb	er 18 102				49.15	<u> </u>	47.0
	83 80	94,85	84.80	93,40	1					PORK	BELLIES :	38.000 lbs. c	ents/lb	
١.	89.60	90.45	90.50	89,10	ĺ	July 27	July 26	moth ag	y sega		CHOMO	Previous	Highriton	
:	88.86	89,45	0	.0	1	1\$110	1943.2	1976.8	1614.7				LHOULTON	
	87.40	87.45	88.00	86.25	700					Aug	30.95	32.96	31.40	. 30 0
	8E 6S	86.25	87.00	85.90	1204	SOMES (E	iase: Dec. 3	11 1974 a	100)	Fab	S1 37	\$2.95	52.45	61,2
, ,		85.25	0	0	Spot	131.66	131,82	139.77	128.72	Mar	51.30	52.62°	52.50	. 513
P .	85 00									May	52.60	· 53.90	53.20	\$2.5
, , ,	65 00 85.15	84.25	0	0	Futur	es 135.0D	135.63	141 29	127.RS					
r y	85 00		° .	0	Futur	es 135.0D	135.63	141 89	127.85	Jul Aug	52:10 51 27	53.80 · 52.77	53.80° 53.10°.	52.1 51.2

Willan Hay

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound and dollar firm

STERLING ROSE to its best level for two years against the D-Merk yesterday, breaking through DM3.20, despite intervention by the Bank of England. The pound's sharp improvement started soon after the start of trading, and took many traders by suprojes

took many traders by surprise. However in en attempt to cover positions, investors quickly pushed the pound up to a high of DM3.2225, although it failed to hold this level at

it failed to hold this level at the close.

Attractive interest rate dif-ferentials, and a growing per-ception that interest rates would have to be kept high, to combat the inflationary effec-tof rising imports, presented a sufficiently attractive package to ancourage further overseas to encourage further overseas investment in sterling.

A rise in the West German Lombard rate and repeated intervention by the Bank of England were sufficient to leave the pound below its best level at the close, but most traders were fairly optimistic that the pound could now test DM3.25. On Bank of England figures, steeling's exchange figures, sterling's exchange rate index finished at 76.8, down from 77.1 around lunchtime, but up from 76.6 at the opening and 76.5 on Wednes-

Sterling rose to DM3.2125 from DM3.1925 and Y228.00 compared with Y227.25. Else-

E	IN	NE	W	Ý	PK	
_		-	_		_	_

741A SB	Lateix	Previous Close
E Spot	1.7265-1.7270 0.33-0.32em 0.98-0.95em 3.10-3.00em	1.7290-1.7290 0.37-0.36pm 1.09-1.06pm 3.36-3.30pm
Forward premis	all singegrander ob	ply to the US dollar

STERLING INDEX

1 17.1	July.2B	Literate
8.30 am	76.6 77.0 77.1 77.0 77.1 77.0 77.0	76.4 76.4 76.4 76.3 76.2 76.5 76.5

CURRENCY RATES

July 26	漫響を	Special* Drawing (Sphis	Chrones Chrones Unit
Stelleg	- 45 mm 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	0.761606, 1.29936 1.56839 17.0143 59.9196 9.19710 9.19710 2.49878 2.74542 6.19660 1.797.91 1.797.91 1.797.91 1.797.91 1.797.91 1.797.91 1.797.91 1.797.91 1.797.91 1.797.91 1.797.91 1.797.91 1.797.91 1.797.91 1.797.91 1.797.91 1.797.91	0.648379 1.12494 1.36926 1.4668 43.6675 7.91787 2.06530 2.35302 7.03367 1541 00 1.86548 7.54239 1.17.259 1.17.259 1.17.258 1.17.257 2.47.2672

CURRENCY MOVEMENTS

ORUBEIN I	Substitution of the last	Market Solve
July 28	Gank of England Index	Margan ^{es} Gastrapty Charges %
Sterding J. S. Dollar Canadian Dollar Active Schilling Berjalan Franc Bestsche Stark Seits, Franc Gelifer Franch Krone Gelifer Franch Franc Gelifer Franch Franc Little Franc	%4 %2 85 1 1355 97 7 69.5 143.5 143.5 143.5 143.5 143.5 143.1 45.1 241.3	-163 -103 -20 +177 -420 +205 +205 +205 +205 -208 -208 -208

OTHER CURRENCIES

MONEY MARKETS

Yen per 1,000: French Fr. per 10: Ura per 1,000: Belgian Fr. per 100.

Lombard rate up

any late assistance draining cases. There was also a rise in the note circulation of £65m. These were partly offset by Exchequer transactions which added £155m and banks' balances brought forward £65m about target.

above target.
The forecast was revised to a

the forecast was revised to a shortage of just 250m, and there was no assistance offered during the morning. A further revision took the forecast to a shortage of around 2100m, but

shortage of around £100m, but there was no assistance given by the Bank in the afternoon. The Bank of France amounced a sale and repurchase tender onfirst category paper to help offset FF764.4m of liquidity leaving the market today. There was little chance of a reduction in the 5% p.c. intervention rate, especially after comments by Mr Pierre Beregovoy, French finance minister, that the authorities would wait for more stability in currency markets before

west German started to improve. Overnight money opened at 10-9% p.c. and slipped to a low of 8 p.c. before finishing nearer 11% Sundespank increased its Lom-serd rate to 5 p.c. from 4.5 p.c. resterday, in the face of nounting pressure on the D-Mark and domestic interest D.C. The Bank of England fore cast a shortage of around £150m, with factors affecting the market including hills maturing in official hands and a take up of Treasury hills, together with repeyment of any late assistance draining

Before vesterday's announcement, call money had been pegged to its effective ceiling of 15 p.c. for over three weeks.

191₂ per sent from July 18

The increase came against a background of rising capital outflows, over-target money supply growth, and a weak D-Mark, Yesterday's recovery by the dollar and sterling's push through DM3.20 was probably the final straw. Period rates edged up after the announcement while call money eased slightly.

However, commercial banks have had great difficulty trying to meet end of month minimum resarve requirements with the Bundesbank, given the almost constant drain of funds through corporate tax payments, and intervention by the Bundesbank in currency markets, selling dollars and drawing D-Marks out of the money market.

in London three-month inter-bank money was unchanged at 101-101; p.c., having opened slightly firmer before sterling would wait for more sampley in currency markets before assessing the changes of another cut. The rate was last reduced on July 8 from 7 p.c.

where it finished at SF72.6700 from SF72.6550 and FF710.8255 against FF710.7575. Against the dollar it eased slightly to \$1.7230 from \$1,7260.

The US dollar was also in demand, breaking through DM1.8600 and shrugging off the effects of Wednesday's central bank interspending A further

bank intervention. A further rise in the rate of inflation left most investors convinced that US interest rates were likely to be increased in the near term. The accelerating rate of inflation had come as something of a surprise, according to Mr Alan greenspan, chairman of the US Federal Reserve Board. Speaking to Congress as part of his Humprhey Hawkins tes-timony, he added that a lower dollar was not likely to help solve the US trade deficit.

solve the US trade deficit.

This tended to push the dollar firmer, but once again investors were wary about building up long positions for fear of further intervention by central banks.

central banks.
The dollar
DM1.8645, up fr

BMS BU

and Y132.35 from Y131.65. It was also higher egainst the Swiss franc at SFr1.5505 from SFr1.5365 and FFr6.2375 compared with FFr6.235. On Bank of England figures, the dollar's exchange rate index rose from 97.7 to 98.2.

In Frankfurt, the Bundes-bank sold only a modest amount of dollars at the fixing. and was not seen in the open market. Against the French franc the D-Mark showed little change, finishing at FFr2.3725 from DM3.3700 on Wednesday. from DM3.3700 on Wednesday.
While comments from Mr
Greenspan helped the dollar
finish firmer against the
French franc, the latter
shrugged off the effects of
higher West German interest
rates. French interest rates
were left unchanged after the
central bank's latest repurchase tender, and the authorities did not appear to be concerned by the widening of
interest rate differentials, as
long as the strength of the dol-

OPE	AN CUR	RENCY	UNIT RAT	LES
Eco entral entral	Currency amounts against, Ecu July 28	% change from central rate	% change adjusted for divergence	Disergence Shalt %
2.6853 .90403 .90403 .90403 .90403	43.6673 7.91787 2.08530 7.03367 2.35382 0,775872 1541.00	+2.85 +0.84 +1.30 +1.88 +1.48 +0.97 +3.67	+112 +259 +249 +215 +276 +246	±1,5344 ±1,5404 ±1,0901 ±1,5012 ±1,6684 ±4,0752

POUND SPOT- FORWARD AGAINST THE POUND

Service	18.78 - 11.68 h 18.78 - 10.25 h 10.96 h - 11.03 h 227 h - 229 h 22.44 - 22.42	11.404 - 11.614 10.824 - 16.834 10.974 - 10.984 2274 - 2284 22.52 - 22.51 2.644 - 2.6712	14-14-com	6.74	913-3400 13-3400 31-3400 261-2400 41-41400	464 464 474
3.20-3.10cp	AR SPOT-					
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Cataga	12050 12100	1205-1205	0.12-0.1544	416	0.35-0.396s	1.07
Netherlands,		2.1025 - 2.1035	0.55-0.53qq	3.09	. 167-164gg	316
Belgium	38.65+39.05	38.95 39.05	5.00-3.50cm	1.31	13.00-18.00cm	2.19
Desertant		7.064 - 7.07	0.201-0.30s yes	0.09	0.204-0.3000	0.03
W. Germany	1 8450 - 1,8650	1.8650	0.52-0 49ptpos	3.27	1.51-1.46gm	3,20
Spain	1504 - 1514 121.45 - 122.65	151 - 1514	50-75cds 20-30cds	-245	143-195dk 60-796k	-1.64
kaly		13761 - 13771	2.00-2.70t/redb	-206	8 40-9 404%	-2.60
Norway	671-6744	6.734 6.744	2.55-2.70ereds	-4.60	7.55-7.75ds	-4.55
France	6.224 -6.29	6.284 - 6.29	0.52-0.42mm	0.90	1.55-1.40pm	0.94
Sweden	6347-6377	4.37 - 6.37	1.15-1.250 ms	-2.26	3.15-3.3564	-2,64
Japan	131.80 - 132.45	132.50 132.40	044-04lan	3.86	1.25-1.20pm	. 3.71
Austria	12% 13.07	1307 - 1307 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -	2.70-1.80 proper 0.64-0.60 con	4.82	9,30-7.00pm	2.50 4.47
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18-11-		Selection of	THI Y:	TAXABLE !	1 22	14.1.1
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EXCHANGE CROSS RATES										
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£	0.500	1.723	1213	224.0 132.3	10.23 6.256	2.670 1.556	3,425 2,104	2572 1377	2.084 1.210	17.21 39.00
DAN	0.311 0.311	0.534 7.357	14.09	70.96	177	0 831 11.73	1.128 15.90	731.3 10404	0.649 9.140	20.90 294.7
FF. SFr.	0.72	0.45	2.967 1.203	210.5 85.39	1054	2.46	谜	2190 800,4	鴙	62.05 65.17
H FI.	0.422	0.475 0.724	0.8% 1.355	62.90 94.12	2.988 4.546	0.737 1.124	1,528	654.3 1000.	0.575	18.54 28.30
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(1100 a.m. July 26) 3 months US dollars & months US Dellars offer 84

	N.	ONE	/ RAT	E\$		
NEW YORK			Treasur	BILIS and	Bonds	
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				-		
Frankfart	45455	4.80-4.95 74-74	1105.05	506-520	5.20-5.40 79-74	1.00g
Frankfert Paris Zurick				\$00-520 31-33		35
Frankfort. Parts Zizrick Assetsplant. Telapp		719-714		500-520 74-75 31-33 51-53		3%

LONDON MONEY RATES									
July.28	Overnight,	7 days potice	Goe Morth	7/mee Months	Six Montis	One Year			
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FINANCIAL FUTURES

Gilts and short sterling firm

LONG GILT and three-month sterling deposits gained strength in yesterday's Liffe market, underpinned by ster-ling's firmsr trend. Trading volume in short sterling was greafly improved at over 20,000 lots traded, es institutional investors gained confidence from a further decline in cash interest rates. interest rates.

The September price opened

出版を記録まれるい

LONDON (LIFFE)

Estimated Volume 3 (III) Produce day's open ics, 78 (75)

Estimated Volume 590 (851) Province day's open int., 953 (903)

(S SPTISHS ideals per CL)					LIFFE ENGOGILLAR SPINGS Lim prints of 200%				
	Calls 488 Ang 1765 1265 765 333 67 11	1765 1765 1265 766 431 176 21	A07 00 0 7 360 764	549 19 77 222 487 863	9175 9175 9175 9100 9125 9150 9175 9200	Talls-esti Sep 97 773 50 31 15 7	Dec 80 62 47 33 23 15 9	Pets-seti Sep 1 2 4 10 19 36 57	
4	11 1 volume tota			863 1312	9200	3	*	15 721, Calls 7	

Estimated volume total, Calis 3 Press v Previous day's open lot, Calis SAL Pers 143

Pus-set Aug Sep 0.40: 1.00 1.00 2.20 1.25 4.65 7.40 8.30 12.20 12.75 11.60 11.70 16.40 11.40 Sep 6at 0.77 1.22 1.33 1.72 2.04 2.74 314 1.91 4.63 5.17 4.63 7.04 18.33 8.82 0t 850 540 255 255 055

CHICAGO Estimated Volume 23518 (11946) Previous day's open ins. 44689 (43439)

92.55 92.55 92.55 92.57

SHISS FRANC DANS STY 125,400 \$ per STY

Est, Vol., Chr., Phys., cox, showed 20877 (20026) Previous day's open lat., 39379 (40411)

NS TREASHRY 00425 8 % \$100,000 32mb of 100%

CURRENCY FUTURES LIFFE-STERLING \$25,000 5 per C 17279 1725 1725 17279 1725 1725 17110 17037 1-00 1425 17050 14415

POURD-S (FREEER EXCHANGE) DEN-STENLING SE DE S

FT LONDON INTERBANK FIXING

Finance Neurics State Rate Sty from July 1. 1988; Sant Lesson Rate Sty from July 1. 1988; Sant Lesson Rate Sty from July 1. 1988; Sant Lesson Rates for some control of the Style Rate Lesson Rates for some control of the Style Rate Lesson Rates for some month? Sp per cent, one-three months Style per cent; the control of the style Rate Lesson Rate I and the style Rate I are cent; the control of the style Rate I are cent; the control of the style Rate I are cent, the style Rate

at 89.16 and moved up to a high of 89.29, before finishing at 89.21. Gilt prices saw over 23,000 lots change hands, with investors shrugging off the effects of disappointing June trade figures.

Overseas demand pushed the September price through a minor resistance point at 94.24 and up through 95.00, to touch a high of 95.02. However this were concerned by the sharp rise in inflation - highlighted in

LIFFE SHORT STEPLING

Previous day's upon int., Callis 1518 Parts 2424

91.48 91.16 91.16 91.11 90.95 90.82 90.72 90.64 90.57

level was not sustained, as sterling surrendered some of its earlier gains. US Treasury bond futures lost ground as did three-month Euro-dollar futures. Investors the second quarter fixed index released on Wednesday - and most were expecting US inter-

est rates to rise to counter this.

8.50 105 20527712964 4.80 0.70 7 50 B 9 40 7 20 4 30 4 90 A TOTAL VOLUME IN CONTRACTS: 42.095

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES Nat Westminster 10-12
Norwich Ger Trist 10-12
PRIVATionken Limited 10-12
Provincial Bank PLC 11
R. Rapharil & Sons 10-12
Royal Trist Bank 10-12
Royal Trist Bank 10-12
Royal Trist Bank 10-12
Standard Chartered 10-12
TSB 10-12 Alter Priso Isanc
Henry Anshacher
ANZ Bartring Groep
Associates Cap Corp
Antherity Bank
B & C Merchant Bank Back Leugi (1810) Bank of Cyprus ... Bank of Ireland ... Barriays Baek Berliner Bank AG • Members of British Merchant Banting & Securitles Houses Association. • 7 day denosits 4.38% Samming 7.16%. Top Tre-£10,000 Instant acces 9.0% & Montgage base rate. § Demand deposit 5.12%. Mortgage 10.875% - 11.25% Brit Bk of Mid East ____

All of these Securities have been sold. This onnouncement appears as a matter of record only.



Compagnie Générale d'Electricité ECU 250,000,000

51/2% Convertible Bonds Due 1996

SOCIETE GENERALE

MORGAN STANLEY INTERNATIONAL

ELECTRO BANQUE

SBCI SWISS BANK CORPORATION INVESTMENT BANKING CREDIT COMMERCIAL DE FRANCE

DEUTSCHE BANK CAPITAL MARKETS LIMITED

UNION BANK OF SWITZERLAND (SECURITIES) LIMITED

S.G. WARBURG SECURITIES

ALGEMENE BANK NEDERLAND N.V.

BANQUE INDOSUEZ

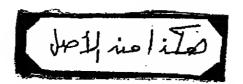
CREDIT SUISSE FIRST BOSTON LIMITED GENERALE BANK

NOMURA INTERNATIONAL LIMITED

July, 1988

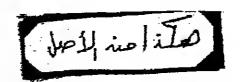
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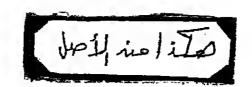
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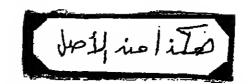


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LONDON STOCK EXCHANGE

Takeover stocks feature in busier equity sector while sterling's strength continues to boost Gilt-edged

		Dealing	Dates
"First De Jul	talinga: 18	Aug 1	Aug 15
Option (Peclaration 28	a: Aug 11	Sep 7
Lest Der Jul	ellogu : 29	Aug 12	Sep 2
Account Aug	Day:	Aug 22	Sep 12

ANOTHER performance by the pound kept the UK securities markets in good form yesterday. In a well-traded equity sector, interim results from ICI and Barclays were well-received, but the cen-tre of the arena was occupied by takeover stocks, notably in the publishing sector. Share prices cooled off at the close when there were rumours of impending fund-raising moves in the finan-

cial sector.

The strength of sterling pulled Government bonds higher, to the extent that some short-dated issues — reversing their recent trend — were beginning to discount a half point cut in base rates. However, bond analysts doubted the likelihood of a base rate cut at this stage.

London dealers paid little heed to the moves to higher interest rates in West Germany and Holland, but kept their eyes fixed on

land, but kept their eyes fixed on sterling's advance.

The equity market opened firmly, with the pound's buoyancy outweighing the effects of the overnight fall on Wall Street. The running was quickly made by takeover stocks, with Amer-sham International racing ahead as the UK Government's decision to redeem its Golden Preference Share switched on the specula-

The attention quickly spread to the publishing sector, where the contest for control of MacMillan Inc in the US has intensified bid speculation in the UK publishing industry. Reed International and Pearson both attracted buyers. but closed below the day's highs.

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18	19 20 21 22 25 26 2
	July 1988

EQUITY GROUPS

& SUB-SECTIONS

stocks per section

6 Mechanical Engineering (56) 8 Metals and Metal Forming (7) ...

9 Motors (14) 10 Other Industrial Materials (23)... 21 CONSUMER GROUP (186).....

22 Brewers and 0 istillers (21)... 25 Food Manufatturing (21)...

27 hearing in noise(a) (22)
29 Lesgure (30)
31 Packaging & Paper (17).....
32 Publishing & Printing (18) ...
34 Stores (34)
35 Textiles 1171....
40 OTHER GROUPS (93)

59 500 SHARE INOEX (500).

61 FINANCIAL GROUP (122)..

5 histrance (Compositel (7) histrance (Brokers) (7) hi

FT-SE 100 SHARE INDEX 4....

ETYER THTEDEST

71 Investment Trusts (78) ... 81 Mining Finance (2) 91 Overseas Traders (8)

41 Agencies (19)... 42 Chemicals (21).

48 Miscellaneous (26) 49 INDUSTRIAL GROUP (488)

65 Insurance (Life) (8)

51 0il & Gas 1121.

62 Banks (8) .

CAPITAL GODOS (209) .

Electricals (12) 5 Electronics (31) ...

ICI's increase of 13 per cent in first half profit was above market expectations, but the shares were restrained by the rise in sterling Analysts noted that the currence Analysis noted that the currency factor had cost already cost ICI 275m in the half year. The early gain of 7.3 in the FT-SE Index melted away towards the close when rumours of impending rights issues and/or takeover bids circulated. At its final reading, the FT-SE Index showed a net gain of only 0.5 at 1841.3. Turnover, which included a substantial contribution from the takeover sector, increased significantly, taking the Seaq volume total to 494.3m sbares at 5 pm (363.9m on

Wednesday). Gilt-edged were mesmerised by the currency markets. "Who would have thought that the pound would rise sharply after such awful UK trade figures", commented one dealer, referring to Wednesday's disclosure of a the UK current. £1bn deficit on the UK current account in June. Long-dated Gilts added % or so

in the wake of the rising curin the wake of the rising cur-rency. Dealers believed that the authorities will continue to restrain the pound via currency intervention at present, and will not be willing to cut base rates. International stocks suffered mixed fortunes, with sentiment changing through the day. ICI's results were above expectations, but inspired little follow-through as investors nervously watched the sterling/Dmark rate. US institutions were also notably absent. The shares closed just worse at £10g after improved turnover of 1.8m. Reuters ran into renewed selling pressure, particularly in sening pressure, particularly in the US where ADR trade was sig-nificant. There were few buyers as the price fell 21 to 485p, but dealers said the stock finally found support aroundthat level. found support aroundthat level.

Barclays lost ground after announcing the interim results, which included a dividend increase above market expectations, leaving only Lloyds to complete the sector's reporting season when it announces its half time profits today. Barclays moved up immediately after the results, reflecting satisfaction with the dividend rise, but the later reaction indicated some

analysts' doubts over low debt provision and a heavy fall in UK lending margins. At 403p, the shares ended 7 off. The attention switched to Lloyds, which slipped 10 to 298p, mostly in late trading when rumours of an impending rights issue in the market attached themselves to the banking sector Lloyds entered the frame when Standard Chartered shares jumped 25 to 499p. Midland (425p) and NatWest (560p) remained dull as their respective interim statements were digested by the

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Earnings Yield% (Max.1

11.17 10.31 8.44 9.76 9.42 11.51 8.85 8.99 10.72 8.67 0.61 9.18 7.90 10.33 11.41 10.95 0.06 11.42

11.25 11.59 11.33

9.76

Day's High

3.04 3.63 4.88

4.24

Day's Low

+0.2 +0.6 +0.2 +0.8 +0.1 +0.2 +0.2 +0.2

+0.7 +0.7 +0.6 +0.3 +0.8 +0.1 +0.4 +0.4 +0.3

+0.6

+0.2 9.79

+0.2 9.94 21.42

490.39

1095.58

536.44 3616.94 003.30 606.47 894.90

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1836.06

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668.33

1065.79 556.40 986.36 350.47

378.7

910.01

1841.3

Thursday July 28 1988

Ohy. Yield h (Act at (25%)

Est. P/E Ratio (Net)

10.97 12.69 14.65 13.16 12.70 13.18 10.06 13.50 14.06 11.77 14.88 15.15 17.20 14.86 13.97 15.99 11.19 12.73 10.29 11.19

11.13 11.77 11.19 10.00

12.22 11.68

Jul 27

later reaction indicated some

					676	AV.	MAIA			-
Financial times stock indices										
	July	July	Joly	July	July	Year	19	88	Since Compilation	
	28	27	26	25	22	Ago	High	Low	High	Law
Government Sets	88.04	87.84	87.80	87.92	87.88	88 19	91.43 Q8/40	86.97 0.3/10	127.4 (9[1/35)	49.18 (3/1/75
Fixed Interest	97 48	97.42	97 40	97.44	97.39	96.61	98.67	94.14	105.4	50.53
Ord)nary ♥	1480.7	1478 g	1473.0	1474.1	1479 4	1862.3	1510.5	1349 0	1925 2	G/1/75) 49 4
Gold Mines	204,5	209.4	213.2	215.0	214.7	459.0	41/7) 312.5	(8/2) 195.4	(16/7/87) 754.7	(26/6/40 43.5
SOLD BILLIES						13	(7/),1	113/51	(3.5/2/83)	(26/10/7)
Ord, Div Yield	459	4.57	4.58	4.57	4.55	3 10	S.E ACTIVITY			
Earnings Yid, %IfulD	11.64	11.56	11.61	11.61	11.56	7.51	in	dices _	July 27	July 26
P/E Ratio (net)(")	10.47	10,57	10.52	10.53	10.57	16.37	Gille Edged I	Bargains		196.8
SEAQ Bargains (Sprat)	26,696	19,604	22,693	21,933	23,221	53,434	Equity Sarg	عاند	151.9	153 3 1503.6
Equity Turnover (£m)		856.30	743.88	691.68	960.84	2137.33	5-Day avera	ġė]	
Equity Bargains		23,448	23,667	23,734	24,780	64,580	Gills Edged i	Bargains pales	114.4	117.5 161.8
Shares Traded (ml)		347.0	291.6	267.4	360.0	857.7	Equity Valu	£		1865 1
♥ Opening	10 o.m.	11 a.n	n.) [1	2 p.m.	1 p.	m.	2 p.m.	3 р.п	1. 4	p.m.
1479.8	1484.0	1484.		483.1	148	3.2	1484.3	1484		82.6

Day's High 1486.1 Day's low 1479.8 Basis 100 Gort, Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, 9 Nil = 10.37.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

Among life assurance groups, Abbey Life, up 4 at 321p, attracted bld rumours, while

Legal & General at 324p gained a further 6. Reed International continued Reed International continued its run, sbooting to 471p at the top before dropping back to close with a gain of 20 at 463p. Turnover was 4.4m shares, leading to scepticism about the various stakebuilding rumonrs which appeared during trading. Dealers said the stock bad joined the ranks of the speculative favourites, but they could find few convincing explanations for the rise from around 400p during this Account. US bnying was reported, as was a bear squeeze. A similar technical situation reported, as was a bear squeeze.

A similar technical situation developed in Pearson which rose 32 to 774p, after 790p, amid an array of stories which included an increase in the value of the company's oil interests. A total of 1,4m shares changed hands as stock eventually came out to ease the squeeze which caught ease tha squeeze which caught several dealers short.

Attention on these two stocks led to a flurry of excitement in the papers sector which raced ahead. The re-rating of the sector followed the Maxwell bid for MacMillan in the US which appeared to sanction higher values for publishing companies. Among the chief beneficiaries were Associated Newspapers, 15 better at 513p, United Newspapers, up 15 to 432p, and UK Paper, up 9 to 186p.

Amersbam International enjoyed the market's considered reaction to Wednesday's news

reaction to Wednesday's news that the Government's 'golden

Mon Jul 25

index No.

Index No.

14.06 892.69 801.32 801.42 1011.79
10.65 1814.08 1914.12 1002.21 1329.96
26.91 1600.23 1600.67 1599.15 1869.30
48.13 2176.53 2173.40 2107.97 2685.96
21.33 1752.80 1749.58 1758.01 2129.16
8.32 417.96 417.35 419.87 541.96
7.95 497.51 497.82 563.36 591.16
5.22 281.81 280.67 281.33 402.46
27.43 1322.43 1317.35 1312.66 1659.85
17.13 1093.36 1090.12 1091.52 1370.68
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20.30 959.49 955.82 945.86 1134.40
20.93 1191.62 1185.32 1186.66 1647.36

3.90 12.72 16.74 975.68 973.32 973.19 1234.74

4.16 12.58 18.74 1040.40 1045.78 1046.92 1331.11 4.06 - 15.33 705.14 709.05 707.58 858.43 6.39 6.26 18.03 675.45 685.17 686.01 851.49 4.71 - 24.97 1054.20 1056.52 1053.15 1137.67 5.31 - 13.82 554.95 554.62 551.41 650.10 6.46 13.23 31.54 992.30 990.94 990.60 1377.19 4.12 - 7.03 352.23 356.90 358.23 494.71 2.65 25.69 13.66 1214.70 1215.93 1299.65 1320.74 4.90 12.12 9.27 370.85 379.78 379.31 598.09

Jul 25

12.04 913.41 914.55 912.35 1125.18 0.12 522.51 527.46 531.44 691.41 29.22 1146.69 1143.31 1149.51 1171.26

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Wed

Guinaess (°324)

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Wed Jul 27

share' had been redeemed. The shares rocketed to 594p at one stage, before edging back to close at 585p, a gain of 115p. Dealers agreed that Amersham is vulnerable to takeover, with ICI mentioned as a possible predator. Other stocks where a golden share exists, including Enterprise Oil, were better on hopes that further redemptions might that further redemptions might

Thorn EMI rose strongly in mid-afternoon on rumours that the company was close to con-cluding the sale to a European consortium of 75 per cent of its wholly-owned lumos subsidiary. It is known that Thorn has been in negotiations to sell a majority shareholding in Inmos for some

Although Mr Bob Nellist, Thorn's financial director, confirmed that his company has been talking to interested par-ties, be denied that Inmos had been sold, "We have talked pub-licly about the search for partners in Inmos - and that search continues - but there is no truth whatsoever in the rumours."
Thorn drifted back from its high
of 654p on the denial, but mainof 654p on the denial, but maintained enough support to close 16 better on 649p, emphasising the belief of some market-makers that the sale of part, or all, of Inmos is not far away.

Lex Service, the vehicle and electronic components distributor, surpassed best expectations when revealing a near-70 per cent surge in first-half profits to a record £35m. Analysts were caught out and, on thoughts that the group was likely to repeat

The shares rose 7 to 417p but the upward momentum was checked by a division of opinion over the outlook for UK car sales next year. Some motor traders and sector followers are confident that the total will exceed 2m

distinctly easier as the company confirmed that it is being investigated by the Office of Fair Trading. This gave rise to worries about the possibility of an inquiry by the Monopolies and The ECC share price tumbled in active trading to close 11 4

NEW IRGHS (81).

CANADIANS (1) Spiral Eng... BREWERS (4) Belluwen, Maraton Thompson. Mortand. Vaux Group, Bullubines (4) Arnetime, Rowinson. Taylor Woodrow, Turrist Corp., CHESSICALS (4) Gaynor Group, Hickson Intl., Renticki, Yorkshire Chems., STORES (1) ELECTRICALS (8) Adminal Computing, Gardners Group, Learmonth & Burchett, Oxford Instruments, Radames, Senderson Fect., Sony Co., TDK. Corpn., ENGANEERING (5) Edbro, GE! Intl., Hill & Smith, TI Group, Wood (5: W), FOODS (1) Tabe & Lyle, INDUSTRIALS (19) Avdel, Barry Wehmiller, Bespak, Bundeen, Cambon St Ints., Charterinell, Delamsy, Dominion Intl., Kershaw (A), Nobe Group, Parkeid Group, Pearson, T.I.P. Europe, Waterman Partnership, Vale & Valor, INSURANCE (1) Trade Indemnity, LEBURE (1) Scot Ice Flink, MOTORS (1) Oxides Group, RevESPAPERS (2) Addicase, Haynes Pud., PAPERS (2) Aspen.

the achievement in the second-half, hastened to revise full-year estimates. Chris Avery, the sec-tor researcher at Citicorp Scrim-geour Vickers, upgraded sharply

but others are not. English China Clays turned

Taylor Woodrow quickly took pride of place among Building shares, moving ahead strongly to close 37 higher at 585p as It cheaper at 455%p, after 452p. Turnover amounted to some became more widely known that P&O had increased its stake in

NEW HIGHS AND LOWS FOR 1988

the group to around 8.5 per cent.

J. Maunders, In contrast, dipped to 105p before closing 19 off at 111p on news that the discussions with a third party have been terminated. J. Mowhem, unsettled by a recommendation from BZW to reduce holdings, fell 10 to 352p. Pilkington, the subject of some good institutional buying, moved up 5 to 214p in turnover of 5.6m shares.

Next were hit by rumours that its Grattans mail order husiness has not been trading well. Yale & Valor was again in the spotlight following remarks in a Press report by chairman Mr Michael Montague which appeared to confirm that Y&V is

vulnerabla to a takeover. The shares opened immediately better at 500p, up 20, on rumours that stakeholder Williams Hold-

has not been trading well. Although Next vahemently denied any problems with their mail order side, it was enough to send the share price 6 points down to 230p on turnover of 3.6m. Oxford Instruments featured

that stakeholder Williams Holdings might be about to hid to pre-empt any arrangement between Y&V and US company Ingersoll Rand. At best the shares touched 506p, and reacted to 496p before a late rum took them to 495p at the close.

Mr Tim Allen, director of corporate finance at Williams Holdings, was unable to comment on the rumours. The shares were in a busy Electricals sector with a rise of 21 to 265p. Interest was stimulated by US Press speculation that IBM has developed a new generation of chips using X-rays. Oxford sells an X-ray gen-erator to IBM. Cable & Wireless were boosted the rumours. The shares were

by news that it has reached an agreement with Australian comthe rumours. The shares were buoyed, bowever, by unconfirmed speculation that Ingersoli Rand might have approached Williams with an offer for its 3.9 per cent stake.

The oil majors shared in the expansion in equity trade. Top spot went to British Petroleum partly paid where turnover of 9.7m shares enabled the shares to edge higher to 59½p while British Gas, harder at 184p, took a creditable second place with 5.1m shares changing hands.

Volume in Enterprise was disappointing, but the shares edged forward to 487p on hopes that the Golden Share protection would pany Consolidated Press to jointly develop and market val-ue-added talecommunications ue-added talecommunications: systems in Australia. C&W also intends to acquire a 50 per cent stake in Consolidated, and eventually closed 4 better on 372p. Rumours that the DTI will give the go ahead for GEC to bid for Piessey moved the latter up 4 to 169p on turnover of 6.3m. GEC could be day a populy to the 168p on turnover of 6.3m. GEC ended the day a penny to the good on 157p. Ferranti improved 3 to 95p on turnover of 13m along with firm defence stocks, while Racal eased 5 to 328p as US electronics group Millicom attacked Recal's plans to float off part of Vodafone. Millicom is currently trying to win support for a full demerger of Vodafone. Computer group Kode International dropped 27 to 338p after reporting a 40 per cent fall in half yearly profits to £791,000, while the recently-floated security equipment group Gardiner Golden Share protection would be removed. Elsewhere in the sector, International Petroleum

Corp. charged higher still await-ing news of drilling progress off-shore in Papua New Guinea to end 25 up at 334p.

The Food sector was quiet until late action sent AB Foods 12 higher to close at 310p. One story suggested that AB Foods is wine the recently-noted sectority equipment group Gardier gained 8% to 52p after announcing that it had received a bid approach. story suggested that AB Foods is preparing to announce a rights issue and counter-bid for Ranks Hovis McDougall, while there were also suggestions, strongly denied by the company, that its stake in Dee may have changed

pects by Kleinwort Grievandrew attention to the potential beneficiaries. British Acrospace. beneficiaries. British Acrospace, a particular favourite, moved shead to 482p befare falling back to close only 4 better on the day at 474p; volume amounted to some 3m. Vickers too attracted early support and closed firmer at 188p. after 170p. Buils-Royce. additionally helped by nawa of the Australian order for Rh211-535E4 engines, were actively traded (4.5m) and attied 2% to the good at 140p.

the good at 140p.
Elsewhere in the Engineering sector, Hill and Smith rose 12 at 251p in response to good annual

Speculation covering both the Speculation covering both the interim figures, due next Transday, and the DTI investigation into the group boosted car distributor T.Cowie. Sentiment was also helped by the excellent Lex Service results and Cowie rose to 125p before settling 6 up on halance at 122n.

ance at 122p.
Business was brisk on the
Traded Options Markot, with Traded Options Markot, with 29,838 contracts (19.523 calls and 10,315 puts! reported. The FF-SE Index traded 3.390 contracts ahead of today's expiry date, while the day's star performer was Sears with 3.363 calls and 1208 1.308 puts.

Traditional Options

• First dealings July 25
• Last dealings Aug 5
• Last dealings Aug 5
• Last dealarations Oct 27
• For Settlement Nov 7
For rane indications see end of
London Share Service
Interest expanded in the Traditional option market. Stocks
deak in for the call included Leisure Investments, London International, Chioride, Amber Day,
Reed International, Standard
Chartered, Snier, Sears and
Chartered, Snier, Sears and
Chartered, but double options
were arranged in Rockware, were arranged in Rockware, Kunick, Renold and Gardiner

TRADING VOLUME IN MAJOR STOCKS

General Accident

Beneral Elect.

Glavo

Globe Investment ...

Glynwed Ghmed
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Grand Met
Grand Met
GUS "A"

Loardian R.E.
GCM
Goldmens
Hammerson
Hammerson
Hamber Siddelay
Hillsdown Holdings
JMI LALS (2) Microsystems, Ouster, ENGCTH.

MG (1) Hobson, FOODS (1) Actors & Hutcheson, HNDUSTRIALS (1) Sporg Hidgs.,
LESSURG, (1) A & M Gp 10pc Cv Uns 1998,
PAPERS (2) Moorgeste Group, Seatchi, PMOP-PERTY (1) Stough Estales 60c 2003, TRUETS
(4) Grahams Rutout Prid, Scot & More "A",
Bailds Holding, Perpetual, MNNES (8) Stytoor, Butleis, Harjabaest, Lineaus (8) Stytels. Brit. Telecom Borman Oll Tate & Lyle ... Tesco
Thorn EMI
Trafalgar House
Trasthouse Forte
Ultramar
United Sischis
Wellcome
Whitbroad
A
Willhams Holdings

British Funds Corporations, Dominioo and Foreign Bonds 10 35 822 387 46 10 97 22 24 1,512

675

LONDON RECENT ISSUES

EQUITIES 5280 4118 + 13.75 꽪 냻꾫 Caldwell Instr. 10p
Cartiste Group 10p
Cartiste Group 2p
HCty of Los. PR Grp 10p
Lotelax & Fowler Grp. 10p

: 1	9.	234	2 <u>1</u>	Transvood ! lo. Writes	2112 +12		39.					
	FIXED INTEREST STOCKS											
iesue Amount Latest. Price Paid Resume		1988			Closies							
. £	100	Date	High	Low	Stock	Price	1					
100p 100p 199.03 100p 100p 555 100p 100p 100p	PPPPPPPPPPPPPPPPPPPPPPPPPPPPPPPPPPPPPP	18/8 27/7 22/8 12/8	103p 116p 1011, 313p 50pm 104p 1164p 125p 100 1150 1031p 1034p 104p	99.7 1115 1004 p 1000	Rithmonth (Flut 81-pc Getal Ref Cr. Pri 50 - Rutamater). See: Spec Com Ge Alls Pri Brutansteri. See: Spec Com Ge Alls Pri Brutansteri. See: Spec Com Ge Alls Pri Getalita See See: See See See Ref Pri Fletch & Ca. Design Cris Co. del Pri 2007 - Rithmostary Fin. Co. del Pri 2007 - Rithmostary Fin. Com Pric Del 2009 - RIT Group Cr. Com Pri Del 2009 - RIT Group Cr. Co. Rithmostary Fin. Com Pri Del 2009 - RIT Group Cr. Cr. Rithmostary Fin. Com Pri Del 2009 - RIT Group Cr. Cr. Rithmostary Fin. Com Pri Del 2009 - RIT Group Cr. Cr. Rithmostary Fin. Cr. Pri Pri Cl. See See See See See See See See See Se	1935 1159 2001, 3109 2000 1140 2001 2001 2001 1150 1000 1000 1000 100	-2 +2 +1 +1 +1					

			_ R	GHT	OFFERS		
Price £	Amount Paid 40	Latest Retienc		188		Closing	
		Date	High	Low	Stock	Price E	
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divident, co estimates for appealised of by tender 1	resumate rer and pie r 1988. N fivident es Offered to	based on Dividence a ver and pla bolders o	ed dividend lates: anno nd yield bas ratio base a ordinary	rate, couc ear auralogs ed on prospe d on prospe shares as	extrement of Division trate paid or payable and and yield. Division and yield exchange to the or present year's exchange, i. Ext. All Division are yield based on Prespecta extra or other official estimates for 1987. This or other official estimates. W Per Form 1987 of the Allegament Price & United Securities of the Control of the Cont	metes and metes and more other; O Gross, R F	outc outc partic

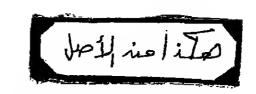
LONDON TRADED OPTIONS

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Brit. & Comm.	180 220	32 18	37	42	33 15 14	36	112	Pilkington ("214)	200 220	16 31 ₂	26 18	33 23	11	15 16	11 20
(*240.)	240 260 240	9	37 25 13	42 30 20	25	32	32	Plessey (*170)	140 160 180	32,	36 22 12	39 25 13	1132	11/2 7	31 ₂ 11 21
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Cable & Wire (*372)	330 360 390	33 33 17	62 42 27	70 52 35	11 30	10 20, 33	15 25 37	R.T.Z. (*430)	390 420 460	47 23 3	80 22	75 55 35	1 7 35	8 20 40	13 28 47
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Cors. Union (°384)	360 390 420	34 17 10	47 31 19	55 40 -	15 27 49	19 32 52	22 36	Barclays (*404)	395 420	20	32	30	16	23	48
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S.K.N. (*328.)	300 330 360	35 18 7	477 30 18	54 36	19	13 24 42	16 28	BTR (*281.)	280 300	12 41 ₂	18 10	26 17	12 27	16 28	18 28
Grand Met. ("492 I	460 500 550	45 20	60 35 15	63	7½ 25	13 30 67	17 35 68	8fue Circle (*446)	420 460 500	38 17	53 31 17	70 47 32	12 30 58	18 37 62	25 42 65
I.C.I.	950	100	123	49 21 -	25 65	24		Olxons (*178)	160 180 200	20 8	25 13 7	29 18	10 27	15	e 19 36
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Jaguar (*287)	260 280 300	สถา	47 33 22	43 32	5 13 25	10 16 28	12 23	(*950) Hawker Sidd.	950 1000	47 24 80	65 43	70	58	32 33 78	88
Land Securities (*566)	500 550 600	80 42 17	90 55 30	105 70 45	3 15 40	10 23 47	15 32 53	(*536)	460 500 550	47 18	88 60 30	68 43	32	17 38	10 22 43
Marks & Speacer (*171)	160 180 200	16	22 91 ₂	26 15	124	15	18 18	Hillsdown (*272) Hauston	250 280 130	18 8	27 13	35 23	13	14	10
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STC (*276)	260 280 300	28 15 B	36 25 18	42 31	16 29	11 21 32	18 28	Sears (*131)	120 130 140	15 9 5	19 13 8	24 18	3 6 12	5 9 15	12 12
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Vitramar (*289 i	260 280 300	42 29 19	55 42 33	50 40	18 17 28	15 23	29 39	Option		Jan.	CcL	Mar.	Jan.	Oct.	Mar.
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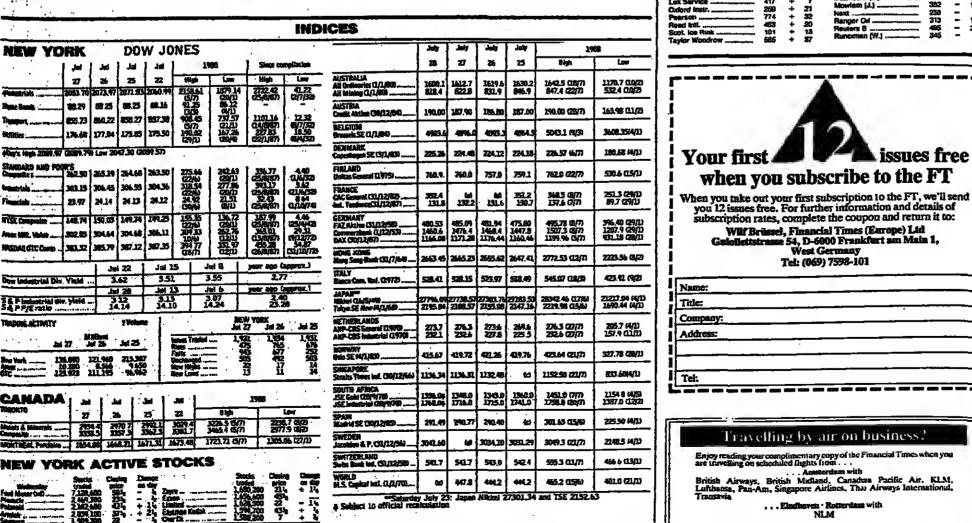
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PRICE INDICES		Thu Jul 28	Day's change	ge Jul today		xd adj. 1988 to date	1 2	Coupons 15 years	9.40	9.55 9.43	9.45	
3 4	Over 15 years Irredeemables	120.42 136.39 148.30 163.79 134.01	+0.22 +0.29 +0.32	120.20 136.22 147.88 163.26 133.79	0.13 -	6.88 7.30	67 89	25 years	9.17 9.94 9.63 9.40 10.05 9.70 9.43 9.61	9.21 10.00 9.66 9.44 10.10 9.81 9.47 9.67	9,72 9,72 9,81 9,85 9,56	
6 7	Index-Linked 5 years Over 5 years	127.92 121.06 121.46	+0.03 +0.33	127.88 120.66 121.09	-	2.12 2.13 2.04	13	Index-Linked Inflation rate 5% 5yrs. Inflation rate 5% 0wer 5 yrs. Inflation rate 10% 5 yrs Inflation rate 10% 0wer 5 yrs	2.84 3.83 1.79 3.66	2.84 3.85 1.78 3.67	2.55 3.78 2.33 3.73	
	Debentures & Loans	117.66 93.06	-0.01	117.67 93.06		6.54 3.43	16 17	Delts & 5 years Loans 15 years 25 years	10.89 10.05 10.85	10.88 10.85 10.85	10.46 10.46 10.46	
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Tongson Helett July 28 - 0.05 - 1 | 10.05 - 1 | 10.05 - 10.05 1474x20479744471960 SWEDEN MONTREAL ד וא ו ביינין וין ויינין Closing prices July 27 -0.5 +1.75 -2.55 -2.55 -2.55 -2.55 -2.55 +2.55 +2.55 Yes . 12,120 2 980 +60 1 776 +69 2 200 +50 1 200 +50 1 200 +120 981 +1 1 598 +50 1 200 +120 981 +1 1 800 +50 1 100 +120 1 1 Fleiston Gold Lend Leide Lend Leide Mayne Nickless Mal Mari Bank Mayne Nickless Mal Anzi Bank Revs Revs Revs North Bank Hill Obshiring Pacific Denico Westario Westario Westario Westario Westario Westario Petrol 199 484 1484 H 1,400 1,100 1,100 1,130 1988-191788-184-184-1889 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 19488 | 194 1.430 1.430 1.430 1.400 1.740 Nasdag national market, 2pm prices July 28 |を | 出出着ったね おっちゃっちゃ | 19 1 p 看 | 19 名 名 | 10 東京電子等々をでつるのので 19 種の時後 | 19 種の写真 19 日本のの Norstate Oddshya Elec Riy Shbayachi-Gumi Oji Paner Oli Electric Oluma Mach Olisumero-Gumi Oliyatpus Dandz Cotrent Dandz Cotrent Orient Finance Orient Finance Orient Finance Orient Finance Orient Gum Osatra Gur HONG KING HONG KIRRE July 28 Bask Est Asia Cathy Pacific Cheen Kroy Cheen Light Every Rang Long Rang Long Rang Long Rang Long Rang Long Rang Seng Bask Henterona Land Honglong Chisa HK Land HK Electric HK Land HK Shanghal Bank HK Fercommes Hutchison Wpa Jangho Marib Hisw World Der SHK Props SHK P URE Inds ᄖ 557 521 12,410 1160 .11,130 Pioseer Yamuka 1,330 Yamaka 1,900 Yamanakhi Sec 1,900 Yamanakhi Myeeti 1,579 Yamana 7,725 1,430 Yama Battey 1,430 Yama Rabber 1,769 Yamana Rabber 1,769 Yamana Rabber 1,190 Yama Battey 1,190 Yama Battey 1,190 Yama Battey 1,190 | 神芸県 | 東京以・京丁 2060 1330 4730 2530 772 1680 6350 2150 -015 문문 목사 [문문자목문문문자문문문문자문문문문문자문사문문문] [문문구구구학 구~구· I~+성출동수 I 등 IS 19주육육육사용 독두육부수수 구구하다 -0.03 -0.06 -0.03 CHIEF LONDON PRICE CHANGES YESTERDAY TOKYO - Most Active Stocks Thursday 28 July 1988 50 18 18 18 18 1258 18 125 19 1 Closing Prices 648 1,150 674 880 2,440 549 186 432 438 \$122.5 585 310 \$13 122 155 251 334 417 269 774 463 101 566 FALLS Assoc. 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And ask for details.

Digital results help Dow rebound

A BETTER performance by the technology sector yesterday helped the Dow Jones industrial Average recoup all Wednesday's losses, writes Janet Bush in New York.

The index had drifted higher during the morning session, hnt then spurted in afternoon trading to close 28.63 points higher at 2,082.33, on modest volume of 155m shares.

Dealers had partly attributed the wave of selling on Wednes-day afternoon to worries about results that were due to be announced by Digital Equip-ment against a general back-ground of patchy performance

by technology companies.

However, yesterday's results came up to analysts' forecasts, and technology stocks moved higher, with favourable effects on the broader market.

The sharp rise seemed also to reflect bargain-hunting after substantial falls recently, a drop in commodity prices and

tary policy by Mr Alan Green-span, Federal Reserve chair-

Mr Greenspan seemed to imply that this week's GNP figures had not persuaded the Fed of the need for further tightening in monetary policy.
The only economic indicator
released yesterday was June
personal income, which rose 0.7 per cent, more than the market had expected. That news pushed Treasury bond

prices slightly lower.

By late trading, prices were quoted about % point down. The Treasury's benchmark 30year issue fared worse, with a drop of 1/2 point for a yield of 9.25 per cent. Another factor depressing bond prices was the return of Fed Funds to 7% per

There was little reaction in US financial markets to news that the Bundesbank is raising the Lombard rate by ½ point to 5 per cent, effective today. as this had been widely expec-

Interco, the retailer and con-

sumer products company, jumped \$8% to \$67%, after news of an unsolicited \$64 a share takeover proposal from a company called City Capital

Another large mover was Norton, the abrasives manufac-turer. The company's share price slumped \$4% to \$45%, as the market reacted to lower than expected second quarter income of \$1.17 a share, compared with \$1.07 a year earlier. Philips NV dropped \$1% to \$14%, after news of a 44 per cent drop in its profits in the second quarter.

second quarter.
Walt Disney jumped \$% to \$61%, after the company rted net income of \$165m in its third quarter ended June 30, compared with \$121.8m a year earlier.

York International dropped \$1 % to \$57, after Snydergeneral withdrew its \$61 a share bid for the company because of antitrust concerns about product overlaps between the two com-

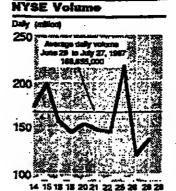
Among technology stocks,

Digital Equipment added \$3% to \$105% and Motorola was up \$1 at \$46%. Prime Computer. which reported net earnings of 15 cents a share in the second quarter compared with 32 cents a year earlier, dropped

Chrysler added \$% to \$22% after announcing net earnings in the second quarter of \$1.45 a share compared with \$1.98 a year earlier. The company acknowledged it had sacrificed short-term profit by using aggressive incentive programmes to gain market share

in the longer term.
Raychem, the plastics manufacturer, dropped \$% to \$46%. Its net earnings in the latest quarter were \$1.52 a share, probable a sain of 39 cents. including a gain of 39 cents from the sale of a subsidiary, compared with 83 cents a year

First Boston jumped \$2% to \$40%, on rumours of an imminent restructuring of its rela-tionship with Credit Suisse. McGraw-Hill surged \$4% to \$66, on rumours which appar-



July 1988

ently emanated from the Lon-don market that Pearson Group, owner of the Financial Times, was considering a hid for the company.

LIGHT TRADING left Toronto stocks mixed at the close.
The composite index rose
16.9 to 3,350.4. Declines led advances by 368 to 347 on volume of 21.9m shares. The Toronto market followed

Lively market that thrives on superlatives

S ao Paulo loves superlatives. Not only is it the wealthiest city south of house.

Brazilian Securities (UK), the investment management house. the Rio Grande and the business capital of the world's 10th largest economy, but it also plays home to the largest stock exchange in South America.
The Sao Paulo Exchange

must also be among the most volatile in the world. In 1986, when the domestic economy boomed, sbare prices soared. When the economy slumped a year later, they crashed, wipng out 70 per cent of the mar-

The exchange is one of nine in Brazil, although most are very small. Sao Paulo and Rio de Janeiro together account for 98 per cent of country's total equity turnover, while Sao Paulo individually has two-thirds of the entire market. Rio de Janeiro covers mostly state company stocks, while Sao Paulo trades private sector

Sao Paulo is currently enjoy-ing a bull run, in spite of the country's economic chaos with monthly inflation at around 20 per cent and zero growth. However, the corporate picture market is still paper-based, looks healthy, with profits pre-dicted to rise by about 30 per time, online information and

The market capitalisation of Sao Paulo currently stands at about US\$23bn, and average daily turnover to the end of June was worth \$37.5m. The



exchange lists 585 companies, with the top 10 stocks accounting for 32 per cent of trading. About 60 per cent of the stocks are freely tradeable.

Trading runs from 9.30 am to 1 pm, and there is generally no after hours activity, although the session can be extended to accommodate a trading backlog or a special auction. The cent this year, according to share registration services to

The exchange plans to auto-mate all trading, using a system similar to that on the Toronto exchange, but has not yet set a date. There are no "Big Bang" plans and commis-

sions and fees are fixed.

Shares are not delivered physically unless specifically requested. Share cartificates are held by the exchange, which transfers registration of comparchin three days after a ownership three days after a trade. Payment is made five days after the trade, Brazilian stock markets have earned a reputation for being

little more than the preserve of wealthy speculators. A half dozen multi-millionaires hold sway over the options in shares of Petrobras, the state oil company. One investor alone, Mr Naji Nahas, a Lebanese-born Egyptian who has become a naturalised Brazil-ian, held an estimated 70 per cent of Petrobras stock options in April. Just 7 per cent of the population - fewer than 15m people - own shares. Institutional investors and

the more adventurous private investors have always found the allure of emerging markets irresistibly romantic. But they have rarely committed more STOCK MARKET FACT CHART SAO PAULO

Number of shares listed: 585 Top 10 stocks, percentage of market: 32% Trading hours: 8.30 am-1 pm; no after hours trading Average daily turnover, to June 30 '88: US\$37.5m Current level of Index: 285 (27/7); 1988 high: 386 (22/4); ment three days

Address: Boles de Valores de Sao Paulo, Rua Al-Brazil. Tel: (5511) 258 7222

tal Funds and administered

than small fractions of their capital to often obscure Third International organisations, such as the World Bank's International Finance Corpora-

tion, are trying to encourage foreign equity investments in developing country markets. The Brazilian Government too is trying to boost demand from overseas, through such novel instruments as the recently developed debt-for-equity swaps, Individuals can boy stakes in "country funds", shares in which are traded in London.

Foreigners not domiciled in Brazil can in fact only invest through such funds, which include Foreign Capital Invest-ment Companies, Foreign Capi-

Foreign Investment Compa-nies can hold up to 50 per cent of their capital in shares, while the funds and portfolios must hold up to 70 per cent in equi-ties. None can hold more than 5 per cent of a company's voting stock or 20 per cent of a company's total stock. The funds can commit no more than 10 per cent of their capital

Dividends are paid free of tax if they are reinvested in the fund. If remitted abroad, there is a 15 per cent withhold-

The series continues next week with a profile of Dublin. John Barham

Profits news and rumours enliven lacklustre trading

COMPANY results and speculation provided pockets of interest in an otherwise slack day, with the broad trend unchanged to weaker, writes

Our Markets Stuff.
AMSTERDAM closed only slightly lower in fairly quiet trading despite a wave of negative news.

Poor results from Philips, a rise in interest rates in line with West Germany, and a weaker dollar might together have been expected to depress shares significantly. But optimism about half-year results, due to begin in earnest next week, has kept underlying sen-

timent positive.
The CBS all-share trend index finished 0.6 lower at 97.0. wiping ont Wednesday's advance, and trading volume was reported to be FI 515m compared with Fl 580m the previous day.

The news of a 44 per cent plunge in second quarter net income at Philips sent the share price down sharply to close at Fl 33.70, a loss of Fl 3.10, or more than 8 per cent.
Analysts deacribed the
results as "disappointing" or
"disastrous". Brokers James
Capel said it was known the
electronics group had problems
but the exercity of their impact

but the severity of their impact on earnings was a surprise. Despite the negative reviews, some demand for Philips at lower levels was reported later in the day from New York. Most other internationals ended lower Elsewhere, there was some interest in the

Getronics agreed bid for Datex, which analysts said was evi-dence of consolidation in the Dntch computer software industry. The two companies were suspended from trading at Fl 27 and Fl 24 respectively. PARIS ended lower after another thin session, with speculative Interest focusing on communications group Agence Havas and turbine producer Précision Mécanique

The OMF 50 index finished off 0.59 at 351.56 and the opening CAC index was 1.4 lower at

Agence Havas rose FFr24 to FFY715 after reports that pay TV network Canal Plus, in which it has a stake, was interested in buying Havas shares. Britain's Mr Robert Maxwell has also been rumoured to be increasing his stake in recent

London

EARLY gains fed by good results from ICI and takeover speculation were pared by rumours of impending rights issues in the financial sector, and the FT-SE 100 index edged

up just 0.5 to 1,841.3.

The strength of the pound boosted sentiment generally. while takeover talk, notably in the publishing sector, pushed volume up to 494m shares from 364m.

days, with his holding now thought to be about 5 per cent. The wrangle over who would gain control was fuelling speculative fervour, according to analysts. Insurer Suez, which has a stake in Havas through Society Congress de Baltrique Société Générale de Belgique, confirmed it was in talks with Mr Maxwell but said Havas

was not at issue. Suez put on FFr1.50 to FFr254.50; announcing also the sale of its 6 per cent stake in sale of its 5 per cent state in sugar producer Beghin Say, off 40 centimes at FFr430.10. Labinal rose FFr76, or 9 per cent, to FFr902 with 36,775 shares dealt, amid rumours of a possible takeover by Matra or

Framatome.
FRANKFURT had a cautious day, finishing slightly easier after the Bnndesbank announced a 0.5 point rise in the Lombard rate to 5.0 per cent. Voluma shrank to an unusually low DML fbn.
Most of the day was spent agreiting the rate news, which

awaiting the rate news, which came just before the close but then had little impact as it had been largely discounted. The FAZ was off 1.41 at 480.53 and the DAX index shed 5.28 to

Construction company Hochtief, which has won a \$48.7m

SOUT' AFRICA

INVESTOR interest was low-in Johanneshurg yesterday and stocks declined slightly. Talks on monetary policy between the Reserve Bank and senior bankers helped keep players

contract to build a subway track in Washington D.C. with a US-partner, ended DM2 lower at DM459. Deutsche Babcock, supplying China with coal milling and firing plants in cooperation with Romanish partners, rose DM1.60 to DM174.10.

Bonds again finished little

DM174.10.

Bonds again finished little changed from Wednesday.

ZURICH was virtually unchanged in spite of continued speculation in the insurance sector. The Credit Suisse index eased 0.3 to 465.4 in thin volume as the long holiday waskend approached.

wolnme as the long holiday weekend approached.

News from privare insurer Rentenanstalt of an agreed bid worth SFr12.000 a share for La Suisse sent the listed insurance company up SFr2.550 to SFr12.200. Saurer offered SFr10.000 earlier this week. La Suisse has climbed by 61.5 per cent in the past week on takeover news.

over news. MILAN closed steady, with buying in the banking and insurance sectors offsetting weakness in retailers and publishers. The Comit index ended 0.26 higher at 528.41 in fairly

The banks are said to be attracting interest both because of rising domestic interest rates, which should help their margins, and because of their long underper-formance. Banca Commerciale edged up L12 to L2.482 and Cre-dito Italiano L4 to L1.260, whils insurer Generali continued its climb, closing L440 higher at L88,400 and rising to L88,500

after hours.
BRUSSELS declined slightly after news of the rise in the West German Lombard rate. A dull day's trading saw steelmadull day's trading saw steeling-kers slip back after their advance on Wednesday, but utilities make lonely gains. STOCKHOLM edged higher. SKF continued to rise, with its B shares adding SKr3 to SKr327. Trelleborg is rumoured

to be considering raising its stake in the company.

MADRID closed slightly higher after a livelier session and the general index rose 0.72

to 291.49. OSLO saw some profit-taking, leading most shares lower after an active day's trading. The all-share index lost 1.75 to 299,29. Norsk Hydro, reporting A steady bullion price failed to assist gold stocks, with Western Deep off R3 at R105.

High-tech issues again lead Nikkei higher

ndustrial led bigh-priced high technology stocks upwards again in Tokyo yesterday, with the Nikkei average scoring its third consecutive gain, writes Shigeo Nishiwaki

The market indicator closed 57.52 higher at 27,796.09. It had been up 200 points but pulled back on small lot profit taking. The index started at the day's low of 27,752.88, hitting a high of 27,939.67 in the afternoon. Volume was low. though, shrinking from Wednesday's 1.29bn shares to 896m as trad-

priced equities. In London, shares later slipped slightly, with the ISE/ Nikkei 50 index down 0.82 on the Tokyo close at 1,865.28. In Tokyo, equities were little affected by the announcement

ing concentrated on high-

of US gross national product figures for the second quarter. Demand concentrated on high-tech stocks, with investors looking for immediate gains and causing sharp price

NATIONAL AND REGIDNAL MARKETS

show number of stocks per grouping

West Germany (100)... Hong Kong (46).....

Italy (102) Јарап (456) Malaysia I36)

5ingapore (26) South Alrica (60) Spain (43)

Euro-Pacific (1688)

Uoiled Kingdom (325) USA (582)

Australia (89)

Austria (16)

Canada (129)

Finland (26).

Mexico (13) Nelperland (38)

Norway (25)

5weden (35) Switzerland (55)

Europe (1014)

Parific Sasin (674)

North America (711)

World Ex. US (1890)

World Ex. Japan (2016).

Denmark (39).

plunged to Y65.8bn. Nippon Steel, however, was the most active stock, although volume fell helow 100m shares to 87.25m. The stock price fell Y16

to Y744 on profit-taking. The recent sharp price rise and good business performance of Sony attracted investors, placing the issue 13th on a vol-ume basis with 145m shares changing hands. It see-sawed widely from Y6,870 to Y7,250, finishing Y220 higher at an all-time closing high of Y7,090. The continued steep advance of Sony pushed up other hightech equities. Matsushita Electric Industrial jumped Y130, closing at Y3,000 for the first time on the second heaviest

trading of 44.3m shares. By contrast, most large-capitalisation stocks lost ground under profit-taking pressure. Mitsubishi Heavy Industries dropped Y26 to Y934 and NKK

THURSOAY JULY 28 1988

Sterling index

125.96 74.12 98.10 106.38

93.08 118.94 62.25 142.64 130.18 135.50 90.09 69.44

104.96 112.08 103.82 126.42 102.00

114.07 93.36

140.02 120.23

109.00 109.47 93.52

109,44

-1-0.53 -0.15 -0.15 -0.17 -0.37 -1.17 -0.37 -1.17 -0.37 -1.17 -0.37 -1.17 -0.37 -1.17 -0.37 -1.17 -0.37 -1.17 -0.37 -0.05 -0.0

-0.1 +1.3

+1.2 -1.2 -0.6 -0.2 +0.3 +0.5

Y25 to Y648. Speculative interest surrounded Keisei Electric Railmovements. In terms of trading value, Matsushita Electric ness at its subsidiary's Tokyo

123.63

72.34 165.77 151.29 157.48 104.70

121.99 130.25

120.65 146.92 118.54

105.22 162.72

88.25 126.09 139.00

Tokyo

Industrial and Sony came first
and second respectively, at daily limit advance, to Y1,570 and Matsushita Electric limits led high priced in Nippen Steel 42 for shorts.

Disneyland. It jumped Y200, a daily limit advance, to Y1,570 its lows by some late buying on the third heaviest trading of but still closed weaker amid

Bond prices firmed as the yen rose against the dollar in the wake of the US GNP news. Dealers were also encouraged by the Bank of Japan's opera-tion to buy two-month bills worth Y500bn in the morning in spite of a surplus of funds on the money market. The yield on the bellwether

5.0 per cent government bond due in December 1997 dropped to 4.890 per cent, compared with Wednesday's 4.960, before ending at 4.905.
The Osaka Securities

Exchange also saw demand for high-priced issues and the OSE average climbed 199.50 to 27,361.17 on sharply lower turnover of 50.9m shares.
Nintendo, a leisure products

WEDNESDAY JULY 27 1988

126.99 73.95 98.43 105.84 110.29

111.44 79.83 64.94 120.32 62.60 142.50 130.37 135.01 91.47 68.92 106.13 112.27 103.65

126.87 102.12 67.33 113.94 92.04

90.96 139.92 120.35

92.77 76.70 108.93

119.69 108.53 109.03

109.00

82.50 110.36 107.74

119.94 90.86 72.67

108.46 135.75 74.34

64.50 112.58

122.70 92.55 136.23 111.63

107.15

96.90 136.12 120.49

107.20

86.33 111.94 119.90

115.62 115.60 103.92

company, rocketed Y1,100 to

Roundun

TRADING was sluggish in most regional markets following the downturn on Wall Street in the wake of the US

3.69 2.50 4.57 3.10

2.36 1.44 3.57 4.22 3.53 2.70 2.39 1.38 4.59 2.70 2.13 4.31 2.55 2.30 4.30 3.31 2.55 2.30 3.62

3.74 0.71 1.63 3.59 3.16 3.86 1.71 2.11

123.22 128.40 129.74 75.60 108.218 72.87 165.87 151.71 151.71 106.49 80.24 123.56 130.71 120.67 147.70 118.89

78.39 132.65 107 15

140.11 108.01

89.29 126.81 139.35

2.32 126.89

FT-ACTUARIES WORLD INDICES

Jaintly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co.

Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

90.64 72.01

108.45 134.83 74.39 138.68 153.30 393.94 100.49

111.60 122.24 91.74

114.07 108.49

116.26 104.57

116.09

All Ordinaries index lost 12.6 to 1,600.1 in moderate turnover of 126m shares worth A\$226m. Heaviest trade was in options-related stocks as the

July series expired. HONG KONG turned down slightly in late trading after a dull session to leave the Hang Seng index off 1.78 at 2,663.45. Turnover was a low HK\$636m, though slightly better than Wednesday's HK\$568m.

Among blue chips, Cathay

Pacific rose 15 cents to HK\$8.85 amid rumours of Japanese bny-ing of regional airline stocks. SINGAPORE ended mixed in trendless trading. The Straits Times industrial index ended just 0.33 higher at 1,136.64 in volume of 39m shares, little changed from Wednesday.

THAILAND edged lower as investors adopted a wait-and-see approach following General Prem Tinsnlanonda's annonncement that he was stepping down as Prime Minister. The Securities Exchange of Thailand index fell 3.02 to 457.01.

DOLLAR INDEX

99.14 107.06 111.42 106.78 72.77 67.78 84.90

62.99

90.07 95.23 64.42 98.55 97.99 118.10

130.73 96.92 75.60 123.09

99.19

97.01

99.78 80.27 87.51 120.26

111.77 113.26 100.00

115.45 | 132.38 | 113.37 | 131.71

115.14

108.63 100.22 137.28 141.40

165.85

184.91 140:72 121.13

129.66

126.31

136.02 132.19 130.12 108.63 142.12 133.07

129.46

1988 High

128.91 132.72 139.53 99.62 80.79 111.86 144.25 81.74

177.27 153.47 180.07 110.66 84.05 132.23 132.44 139.07 164.47 125.50 86.75 141.18 112.47

110.82 172.26 147.53

113.29

92.99 128.25 146.49 131.77 132.39 112.43

FT LAW REPORTS

Drug-buyer's deceit leads to damages

SMITH KLINE & FRENCH LABORATORIES LTD & LONG Court of Appeal (Lord Justice Slade, Lord Justice Croom-Johnson and Lord Justice Ralph Gibson): July 27 1988

WHERE A pharmaceutical company is induced to sell drugs by the huyer's deceit and is thereby deprived of goods which it would not oth-erwise have sold to that buyer, damages for its loss are measured not on a replacement costs basis, but on the difference between the price paid and the price that would have been obtained from a legiti-

mate buver. The Court of Appeal so held when allowing an appeal by the plaintiff, Smith Kline & French Laboratories Ltd, from Mr Justice Whitford's decision that although deceit was proved as against tha defendant,Mr David Adam Long, Smith Kline had made no loss and was therefore not entitled

LORD JUSTICE SLADE said that Smith Kline manufactured pharmacentical products,including tablets for the treat-ment of ulcers, sold under the

trade name "Tagamet".

Smith Kline was part of a group operating throughout the world through a chain of subsidiaries, each of which was allocated areas of operation. Its area covered the UK, Middle East and Central Africa. If inquiries were made con-cerning sales to countries out-

side the area, they were referred to the relevant associated company. No sales were made in respect of goods for forward transmission to countries outside the area without the consent of the associated company. In the UK the majority of

sales were to distributors at an ex-factory price of £56.66 per pack of 500. Distributors would sell to customers at £63.45. In the autumn of 1979 Smith Kline was anxious to exploit the potential market for phermaceuticals in Central Africa. Mr Long was managed tor of a company called Swift Exports. In September 1979, on Swift's behalf, he approached Smith Kline with a view to burying quantities of Tagamet.

Tagamet. Mr Long was managing direc-tor of a company called Swift sell the tablets in Central

In reliance on Mr Long's false representations Smith Kline entered into 15 contracts

Swift, from March 1980 to May 1982. They provided for the supply of 16,800 packs of 500 tablets of Tagamet at £56.66 per

The contracts were concluded only on the understand-ing that the goods were going to Central Africa where they would be distributed. If Smith Kline had known they would be sold by Swift, not in Central Africa, but in Holland which was outside its area of operation it would never have sold them at any price. Swift sold all the tablets to a Dntch company, Centrafarm

BV, at £58 per pack.
The total consideration due to Smith Kline was £951,888. It w.s paid £794,860,bnt extended 157,860 credit to Swift. Swift. cailed to discharge that debt. In October 1982 Smith Klina entered judgment in default of defence against Swift. Owing to Swift's insolvency, it recovered no more than out-of-

pocket legal expenses. Swift

went into creditors'voluntary

liquidation, and Smith Kline

was never paid the £157,028. Smith Kline issued proceedings against Mr Long for damages for deceit.

Mr Justice Whitford found that Mr Long had made a series of fraudulent misrepresentations as to the destination of the goods, and that he had induced Smith Kline to enter

into all the contracts. But he

did not consider that Smith

Kline had established any resulting loss.
Smith Kline now appealed. Where a fraudulent misrepresentation amounted to a term of the contract, a plaintiff, if ha could prove damage, would have a claim for damages in contract. The damages would be measured by reference to the position in which he would have been if the rep-

was put forward as arising in tort. In Doyle v Olby [1969] 2 QB 158 it was held that the measure of damages for deceit was not the same as that of damages for breach of contract
- The correct measure of

resentation had been true.

In the present case the claim

The judge said that if the representations had not been made, there would have been no sales to Swift at all. He said "I cannot see that there was

for the sale of Tayamet to anything that could sensibly goods' value was necessary. be described as a loss to the plaintiff".
On the appeal it was com-

mon ground that all the judge was intending to find was that, if the representations had not been made and the sales to Swift had not taken place, the aggregate of all sales made by Smith Kline would have been reduced by 16,800 packs. In other words, if the representations had not been made. Smith Kline would not have

sold an additional 16,800 packs at £56.66 or any other price. Mr Thorley for Smith Kline argued that the proper mea-sure of its loss was the market

walue of the goods.
Mr Joseph for Mr Long submitted that the vardstick was
not the market value of the goods, but the cost of their replacement. He said Smith Kline, which had inexhaustible sources of supply, should miti-gate its damage by replacing the goods. If it sought damages exceeding the cost of re-placement it would be seeking com-pensation exceeding its true

That was not accepted. Though it was common ground that the general principle in Dolby should be applied to

Sufficient authority was

sion, the court would ordinarily ley (Woodham Smith) assess damages by reference to For Mr Long Leslie Joseph the market value of the goods, QC and Gerald Rabie (Thrwithout reference to the cost of rants) It was obvious that application of that criterion in con-

version cases would not infre-

proper ascertainment of the May)

In the absence of any authority compelling a contrary con-clusion the fair and proper test was, that which the court would have applied if Mr Long had deprived Smith Kline of its goods by converting them – in other words; the market value.

and not the replacement cost. Smith Kline's solicitors had said that in the case of a research-pharmaceutical house, the chief cost of a prod-uct was not the value of the chemicals or material - "Probably the chief cost element is $\lambda_{-2,2}$

-09 .

e take

research and development".

There was no reason to doubt the correctness of that statement. In a case such as the present it would not be just or reasonable to require the plaintiff to adduce evidence as to the cost of producing the goods or replacing them for the purpose of establishing loss. If Smith Rine could have sold the 16,800 packs for £X, but only received £Y, then £X

- fY was the measure of its Any assessment of market value must have an element of artificiality, bearing in mind the restricted nature and con-ditions of the market in which Dolby should be applied to Smith Kline operated. But on measure of damages in deceit, the particular facts of the case, the court had been referred to the right test was what price no cases giving guidance as to would it have been able to the proper application of that obtain for the 16,800 packs if it principle where the deceit had had not been deceived into sell-

led to the plaintiff's heing ing them to Swift?
deprived of goods.

The best evidence of the market value was the ex-facties between such a case and tory price at which Smith the case where a person had Kline habitually and without been deprived of his goods by difficulty succeeded in selling the tort of conversion, It would to distributors in the UK. The be a dangerous and misleading market value should be generalisation to say that the regarded as £56.66. The Smith measure of damages would be the same in all cases.

Section 1. The damage market value should be regarded as £56.66. The Smith Kline had proved loss. The judge's order was set aside and judgment was entered for cited to show that, at least in Smith Kline for £157,028, the common case of conver For Smith Kline; Simon Thor-

Rachel Davies

Barrister

quently result in a plaintiff's CORRECTION

btaining higher damages than In Lourho v Fayed, FT July 22 if his claim was limited to 1988, the parties were repre-recovering his true economic sented as follows: For Lonrho: loss.

Mr Long's daceit had resulted in permanently wood): For the Fayeds: Andrew depriving Smith Kline of its goods. To place it in the position it would have been in if Smith & Co): For Mr Mucurther deceit had not been perpeture and Kleinwort Benson; Andrew that and Kleinwort Benson; Andrew that and Kleinwort Benson; Andrew Control Micolantham Control Micolantha trated in accordanca with thony Grabiner QC and Nicolas. Doyle v Olby principles fair and Braizn QC (Slaughter and

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115,037 (US S Index), 90,791 (Psond Sterling) and 94,94 (Local)
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The Malaysian and related Regional Indices have been recalculated back to May 31 1988. These figures are available on request from FT Prices. Tel. 01 - 403 0669.